UNITED NATIONS

Framework Convention on Climate Change

Distr.
GENERAL

FCCC/CP/2001/2/Add.1
11 June 2001

Original: ENGLISH

CONFERENCE OF THE PARTIES
Sixth session, part two
Bonn, 18-27 July 2001
Agenda items 4 and 7

REVIEW OF THE IMPLEMENTATION OF COMMITMENTS AND OF OTHER PROVISIONS OF THE CONVENTION

PREPARATIONS FOR THE FIRST SESSION OF THE CONFERENCE OF THE PARTIES SERVING AS THE MEETING OF THE PARTIES TO THE KYOTO PROTOCOL (DECISION 8/CP.4)

Consolidated negotiating text proposed by the President

Addendum

DECISIONS CONCERNING FINANCE, TECHNOLOGY TRANSFER, ADAPTATION CAPACITY-BUILDING, ARTICLE 4, PARAGRAPHS 8 AND 9, OF THE CONVENTION AND ARTICLE 3, PARAGRAPH 14, OF THE KYOTO PROTOCOL

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I. DEVELOPMENT AND TRANSFER OF TECHNOLOGIES (DECISIONS 4/CP.4 AND 9/CP.5)

Draft decision -/CP.6

Development and transfer of technologies

The Conference of the Parties,

Recalling Chapter 34 of Agenda 21 and the relevant provisions of the Programme for the Further Implementation of Agenda 21 on the transfer of environmentally sound technologies adopted by the United Nations General Assembly at its nineteenth special session in 1997,[1]

Pursuant to the relevant provisions of the Convention, in particular, its Article 4.1, 4.3, 4.5, 4.7, 4.8 and 4.9, and Articles 9.2 (c), 11.1, 11.5, 12.3 and 12.4,

Recalling its decisions 11/CP.1, 13/CP.1, 7/CP.2, 9/CP.3, 4/CP.4 and 9/CP.5 and the relevant provisions of its decision 1/CP.4 on the Buenos Aires Plan of Action,

1. *Decides* to adopt the framework for meaningful and effective actions to enhance the implementation of Article 4.5 of the Convention contained in the annex to this decision as part of the outcome of the technology transfer consultative process (decision 4/CP.4) and the Buenos Aires Plan of Action (decision 1/CP.4);

2. *Decides* to establish an intergovernmental consultative group of scientific and technical experts on technology transfer under the Subsidiary Body for Scientific and Technological Advice to address barriers to technology transfer, information needs and progress on technology transfer and to enhance the implementation of Article 4.5 of the Convention;

3. *Urges* developed country Parties to provide technical and financial assistance, as appropriate, through existing bilateral and multilateral cooperative programmes to support the efforts of the Parties in implementing the programmes and measures identified in the annexed framework and in enhancing the implementation of Article 4.5 of the Convention;

4. *Requests* the Global Environment Facility, as an operating entity of the financial mechanism of the Convention, to provide financial support for the implementation of the annexed framework through its climate change focal area, the special climate change fund and the adaptation fund;

5. *Requests* the Convention secretariat:

(a) To consult with relevant international organizations, and solicit information on their capabilities and abilities to support certain activities identified in the framework for

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[1] A/RES/S-19/2.

meaningful and effective actions contained in the annex to this decision, and to report on its findings to the Subsidiary Body for Scientific and Technological Advice at its sixteenth session;

(b) To facilitate the implementation of the annexed framework in cooperation with the Parties, the Global Environment Facility and other relevant international organizations.

ANNEX

Development and transfer of technologies

Framework for meaningful and effective actions to enhance the implementation of Article 4, paragraph 5, of the Convention

Purpose

1. The purpose of this framework is to develop meaningful and effective actions to enhance the implementation of Article 4.5 of the Convention by increasing and improving the transfer of and access to environmentally sound technologies (ESTs) and know-how.

Overall approach

2. The successful development of ESTs and know-how requires a country-driven, integrated approach, at a national and sectoral level. This should involve cooperation among various stakeholders (the private sector, governments, the donor community, bilateral and multilateral institutions, non-governmental organizations and academic and research institutions), including activities on technology needs assessments, technology information, enabling environments, capacity-building and mechanisms for technology transfer.

3. The recommended themes and areas for meaningful and effective actions below are meant to cover all programmes and activities undertaken with a view to enhance the implementation of Article 4.5 of the Convention, encompassing both mitigation and adaptation technologies.

Key themes and areas for meaningful and effective actions

1. Technology needs and needs assessments

Definition

4. Technology needs and needs assessments are a set of country-driven activities that identify and determine the mitigation and adaptation technology priorities of developing country Parties and Parties included in Annex I but not included in Annex II. They involve different stakeholders in a consultative process to identify the barriers to technology transfer and measures to address these barriers through sectoral analyses. These activities may address soft and hard technologies, such as mitigation and adaptation technologies, identifying regulatory options, developing fiscal and financial incentives and capacity-building.

Purpose

5. The purpose of technology needs assessments is to assist Parties in identifying and analysing priority technology needs, which can be the basis for a portfolio of mitigation and adaptation projects and programmes.

Implementation

6. Developing country Parties and Parties included in Annex I but not included in Annex II are encouraged to undertake assessments of country-specific technology needs, subject to the provision of resources, as appropriate to country-specific circumstances, by developed country Parties and other developed Parties included in Annex II. Other organizations in a position to do so may also assist in facilitating the technology needs assessment process. Parties are encouraged to make available information on the results of their needs assessments in their national communications, and other related national reports and channels (e.g. technology information clearing house) for consideration by the Subsidiary Body for Scientific and Technological Advice (SBSTA) on a regular basis.

7. Developed country Parties and other developed Parties included in Annex II to the Convention are urged to facilitate and support the needs assessments process, recognizing the special circumstances of least developed countries.

8. The Chairman of the Subsidiary Body for Scientific and Technological Advice, with the assistance of the secretariat, is requested to organize a meeting with representatives from governments, experts drawn from the UNFCCC roster of experts, and representatives from relevant international organizations to identify methodologies needed to undertake technology needs assessments, and to report on its findings to the SBSTA at its sixteenth session.

2. Technology information

Definition

9. The technology information component of the framework defines the means, including hardware, software and networking, to facilitate the flow of information between the different stakeholders to enhance the development and transfer of ESTs. This technology information component of the framework could provide information on technical parameters, economic and environmental aspects of ESTs, and the identified technology needs of developing country Parties and Parties included in Annex I but not included in Annex II, as well as the availability of ESTs from developed countries and opportunities for technology transfer.

Purpose

10. The technology information component serves to establish an efficient information system in support of technology transfer and to improve the quality, generation, flow of, and access to, technical, economic, environmental and regulatory information relating to the development and transfer of ESTs under the Convention.

Implementation

11. The Convention secretariat is requested:

(a) To accelerate its work on the development of an international technology transfer inventory/information clearing house by coordinating with Parties, relevant United Nations

agencies, and other international organizations and institutions to develop options for further implementation of the clearing house and enhancement of existing technology information centres and networks. Reports on the options and recommendations should be provided to the SBSTA at its subsequent sessions;

(b) To seek to cooperate with the Climate Technology Initiative, *inter alia*, in the possible development of a new search engine to access existing databases of environmentally sound technologies, organize experts meetings on technology information, for example, on detailed user needs, identify gaps in existing EST inventories, update and develop inventories and facilitate sharing of experience on success stories related to technology transfer;

(c) To establish a network of technology information centres before the eighth session of the Conference of the Parties, taking into consideration the conclusion of the SBSTA on this matter.

3. Enabling environments

Definition

12. The enabling environments component of the framework focuses on the government actions, such as fair trade policies, removal of technical, legal and administrative barriers to technology transfer, sound economic policy, regulatory frameworks, and transparency that create an environment conducive to private and public sector technology transfer.

Purpose

13. The purpose of the enabling environments component of the framework is to improve the effectiveness of the transfer of mitigation and adaptation technologies by identifying and analysing ways to facilitate transfer of ESTs, including identification and removal of barriers at each stage of the process.

Implementation

14. The following are means of creating enabling environments for technology transfer:

(a) All Parties, particularly developed country Parties, are urged to improve, as appropriate, the enabling environment, for transfer of ESTs through identification and removal of barriers, including, *inter alia*, strengthening environmental regulatory frameworks, enhancing legal systems, ensuring fair trade policies, utilizing tax preferences, protecting intellectual property rights, and improving the access to publicly funded technologies, and other programmes to expand commercial and public technology transfer to developing countries;

(b) All Parties are urged to explore, as appropriate, opportunities to provide positive incentives, such as preferential government procurement, transparent and efficient approval procedures for technology transfer projects, and improvement of possible benchmarks, standards, and labelling, which support the development and diffusion of ESTs;

(c) All Parties are urged to promote joint research and development programmes, as appropriate, both bilaterally and multilaterally;

(d) Developed country Parties are encouraged to further promote and implement facilitative measures, for example, export credit programmes and tax preferences, and regulations, as appropriate, to promote transfer of ESTs;

(e) All Parties, particularly developed country Parties, are encouraged to integrate, as appropriate, the objective of technology transfer to developing countries into their national policies, including environmental and research and development policies and programmes;

(f) Developed country Parties are encouraged to promote, as appropriate, the transfer of publicly owned technologies.

4. Capacity-building

Definition

15. Within the context of enhancing the implementation of Article 4.5 of the Convention, capacity-building is a process that seeks to build, develop, strengthen, enhance and improve existing scientific and technical skills, capabilities and institutions in developing country Parties and Parties included in Annex I but not included in Annex II to assess, adapt, manage and develop ESTs.

16. Capacity-building must be country-driven, addressing specific needs and conditions of developing countries and reflecting their national sustainable development strategies, priorities and initiatives. It is primarily to be undertaken by and in developing countries in accordance with the provisions of the Convention.

Purpose

17. The purpose of capacity-building under this framework is to strengthen the capacities of developing country Parties and Parties included in Annex I but not included in Annex II to promote the widespread dissemination, application and development of environmentally sound technologies and know-how to enable them to implement the provisions of the Convention. Capacity-building under this framework should be guided by principles established in decision -/CP.6 on capacity-building.

Scope

18. The following is the initial list of needs for capacity-building of developing country Parties and Parties included in Annex I but not included in Annex II, for the transfer of, and access to, ESTs and know-how:

(a) Implementation of regional, subregional and/or national capacity-building activities related to the transfer and development of technologies;

(b) Enhancing the awareness of financial institutions, public, private and international, of the need to evaluate ESTs on an equal footing with other technology options;

(c) Training on the use of ESTs through demonstration projects;

(d) Enhancement of skills for the adoption, adaptation, installation, operation and maintenance of specific ESTs and methodologies for evaluating alternative technological options;

(e) Capacity-building of existing national and regional institutions relevant to technology transfer, taking into account country- and sector-specific circumstances, including South-South cooperation and collaboration;

(f) Training on project development, management and operation of climate technologies;

(g) Development and implementation of standards and regulations that promote the use, transfer of, and access to ESTs, taking cognizance of country-specific policies, programmes and circumstances;

(h) Development of skills and know-how in conducting technology needs assessments;

(i) Improvement of knowledge on energy efficiency and utilization of renewable energy technologies.

19. The following is the initial list of needs for capacity-building for the development and enhancement of endogenous capacities and technologies in developing countries. These shall be country-driven processes supported by developed country Parties.

(a) Strengthening existing and, where needed, establishing relevant organizations and institutions in developing countries;

(b) Strengthening existing and, where needed, establishing expert exchange, scholarship and cooperative research programmes in relevant national and regional institutions in developing countries for the transfer, operation, maintenance, adaptation, diffusion and development of ESTs;

(c) Capacity-building to adapt to the adverse effects of climate change;

(d) Strengthening the endogenous capacities and capabilities in research, development, technological innovation, adoption and adaptation of ESTs and technology for systematic observation relevant to climate change and its associated adverse effects;

(e) Improvement of knowledge in energy efficiency and utilization of renewable energy technologies.

Implementation

20. In implementing the capacity-building activities, developed country Parties should:

(a) Make available resources to assist developing countries in the implementation of the capacity-building to enhance the implementation of Article 4.5 taking into account the lists contained in paragraphs 18 and 19 above. These resources should include additional financial and technical resources to enable developing countries to undertake country-level needs assessments, and to develop specific capacity-building activities consistent with enhancing implementation of Article 4.5;

(b) Respond to the capacity-building needs and priorities of developing countries in a coordinated and timely manner, and support activities implemented at the national and, as appropriate, subregional and regional levels;

(c) Give particular attention to the needs of least developed countries and small island developing States amongst them.

21. All Parties should improve the coordination and effectiveness of capacity-building activities related to the development and transfer of technologies. All Parties should promote conditions conducive to the sustainability and effectiveness of these capacity-building activities.

5. Mechanisms for technology transfer

Definition

22. The mechanisms for technology transfer, as identified in this section, are to facilitate support of institutional and methodological activities: (i) to enhance the coordination of the full range of stakeholders in different countries and regions and (ii) to engage them in cooperative efforts to accelerate the development and diffusion, including transfer, of environmentally sound technologies, know-how and practices to and between developing country Parties and Parties included in Annex I but not included in Annex II through technology cooperation and partnerships (public/public, private/public and private/private) and (iii) to facilitate development of projects and programmes that support such ends.

Purpose

23. The purpose of the proposed mechanisms is to address barriers to technology transfer, information needs and progress on technology transfer to enhance the implementation of Article 4.5 of the Convention.

Implementation

Institutional arrangement for technology transfer

24. The intergovernmental consultative group of scientific and technical experts on technology transfer shall be established and consist of ten (10) members elected by the Conference of the Parties on the basis of nominations by the Parties as follows:

(a) One member from each of the five regional groups of the United Nations and one member from the small island developing States, taking into account the current practice of the Bureau of the United Nations Framework Convention on Climate Change;

(b) Two other members from Parties included in Annex I; and

(c) Two other members from Parties not included in Annex I.

25. Members of the intergovernmental consultative group shall serve in their personal capacities and shall have recognized competence relating to climate change and in relevant fields such as the development and transfer of technologies and know-how, and scientific, technical and socio-economic fields.

26. The intergovernmental consultative group shall elect annually a Chairperson and Vice-Chairperson from amongst its members, with one being a member from a Party included in Annex I and the other being a member from a Party not included in Annex I. The Chairperson and Vice-Chairperson shall alternate annually between a member from a Party included in Annex I and a member from a Party not included in Annex I.

27. Decisions by the intergovernmental consultative group shall be adopted by consensus. If all efforts at reaching a consensus have been exhausted and no agreement has been reached, decisions shall as a last resort be adopted by a three-quarters majority of the members present and voting at the meeting.

28. The intergovernmental consultative group shall meet twice a year in conjunction with the session of the subsidiary bodies.

29. The secretariat shall facilitate the organization of meetings of the intergovernmental consultative group and the preparation of its report to the SBSTA at its subsequent sessions and to the Conference of the Parties, which will be made available to the Parties.

30. The Conference of the Parties will review at its tenth session the progress of the work and terms of reference, including status and continuation of the intergovernmental consultative group.

II. CAPACITY-BUILDING IN DEVELOPING COUNTRIES (NON-ANNEX I PARTIES)

Draft decision -/CP.6

Capacity-building in developing countries (non-Annex I Parties)

The Conference of the Parties,

Being guided by Article 4.1, 4.3, 4.4, 4.5 and 4.7, in the context of Article 3, and Articles 5 and 6 of the Convention,

Recalling the provisions related to capacity-building for developing countries contained in its decisions 11/CP.1, 10/CP.2, 11/CP.2, 9/CP.3, 2/CP.4, 4/CP.4, 5/CP.4, 6/CP.4, 7/CP.4, 12/CP.4 and 14/CP.4,

Noting Article 10(c), (d) and (e), and Article 11 of the Kyoto Protocol,

Recalling also the paragraphs on capacity-building of Agenda 21 and the Programme for the Further Implementation of Agenda 21,[1]

Reaffirming its decision 10/CP.5,

Reaffirming also that capacity-building for developing countries is essential to enable them to participate fully in, and to implement effectively their commitments under the Convention,

1. *Adopts* the framework for capacity-building in developing countries annexed to this decision;

2. *Decides* that this framework should guide capacity-building activities related to the implementation of the Convention and effective participation in the Kyoto Protocol process;

3. *Decides* to give immediate effect to this framework in order to assist developing countries to implement the Convention and to effectively participate in the Kyoto Protocol process;

4. *Notes* that areas for capacity-building identified under the Convention are relevant to the preparation of developing country Parties for their effective participation in the Kyoto Protocol process;

5. *Decides* that implementation of the annexed framework shall be funded in accordance with decisions -/CP.6 and -/CP.6 *(Decisions on additional guidance to an operating entity of the financial mechanism; and on funding and resource levels)*;

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[1] A/RES/S-19/2.

6. *Invites* bilateral and multilateral agencies, and other intergovernmental organizations and institutions, to inform the Conference of the Parties, through the secretariat, of capacity-building activities conducted to assist developing country Parties with their implementation of the framework;

7. *Encourages* bilateral and multilateral agencies, and other intergovernmental organizations and institutions to consult with developing countries in formulating programmes and action plans to support capacity-building activities in accordance with the annexed framework;

8. *Requests* the secretariat, in accordance with this framework for capacity-building, and consistent with Article 8 of the Convention, to undertake the following tasks:

(a) To cooperate with the operating entity of the financial mechanism, its implementing agencies and other entities for capacity-building to facilitate the implementation of this framework;

(b) To collect, process, compile and disseminate, in both printed and electronic formats, the information needed by the Conference of the Parties or its subsidiary bodies to review the progress in the implementation of this framework for capacity-building, drawing in particular on information contained in:

(i) National communications of developing country Parties relating to capacity-building activities;

(ii) National communications of Parties included in Annex II on activities and programmes undertaken to facilitate capacity-building in developing countries related to the implementation of this framework;

(iii) Reports from the Global Environment Facility and other agencies;

(c) To provide reports to the Conference of the Parties at each of its sessions on activities to implement this framework;

9. *Decides* that the Subsidiary Body for Implementation will regularly monitor the progress of the implementation of this framework, taking into account the information provided under paragraph 8 (b) and (c) above and reporting to the Conference of the Parties at each of its sessions;

10. *Decides* to conduct a comprehensive review of the implementation of this framework at its ninth session and every five years thereafter;

11. *Invites* Parties to provide information through national communications and other reports to enable the Subsidiary Body for Implementation to monitor progress in the implementation of this framework;

12. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt a decision containing a framework on

capacity-building that reaffirms this framework with additional reference to priority areas for capacity-building relating to the implementation of the Kyoto Protocol;

ANNEX

Framework for capacity-building in developing countries

A. Purposes

1. This framework for capacity-building in developing countries sets out the scope and provides the basis for action on capacity-building related to the implementation of the Convention and preparation for the effective participation of developing countries in the Kyoto Protocol process that will in a coordinated manner assist them in promoting sustainable development while meeting the objective of the Convention. It should serve as a guide for the Global Environment Facility as an operating entity of the financial mechanism and be considered by multilateral and bilateral organizations in their capacity-building activities related to the implementation of the Convention and preparation for their effective participation in the Kyoto Protocol process.

B. Guiding principles and approaches

2. This framework for capacity-building in developing countries is guided and informed by, *inter alia*, Article 4.1, 4.3, 4.4, 4.5 and 4.7, in the context of Article 3, and Articles 5, 6 and 11.1 of the Convention, and relevant provisions contained in decisions 11/CP.1, 10/CP.2, 11/CP.2, 9/CP.3, 2/CP.4, 4/CP.4, 5/CP.4, 6/CP.4, 7/CP.4, 12/CP.4, 14/CP.4, and 10/CP.5, and takes into account Articles 10 (c), 10 (d), 10 (e), and 11 of the Kyoto Protocol.

3. Capacity-building activities related to the implementation of the Convention by developing countries and to the preparation for their effective participation in the Kyoto Protocol process should build on work already undertaken by developing countries, as well as on the work undertaken with support from multilateral and bilateral organizations.

4. The capacity-building needs already identified in the various decisions of the Conference of the Parties should continue to be comprehensively and promptly addressed to promote sustainable development in developing countries through the effective implementation of the Convention and preparation for their effective participation in the Kyoto Protocol process.

5. There is no "one size fits all" formula for capacity-building. Capacity-building must be country-driven, addressing the specific needs and conditions of developing countries and reflecting their national sustainable development strategies, priorities and initiatives. It is primarily to be undertaken by and in developing countries in accordance with the provisions of the Convention.

6. Capacity-building is a continuous, progressive and iterative process, the implementation of which should be based on the priorities of developing countries.

7. Capacity-building activities should be undertaken in an effective, efficient, integrated and programmatic manner, taking into consideration the specific national circumstances of developing countries.

8. Capacity-building activities undertaken within this framework should maximize synergies between the Convention and other global environmental agreements, as appropriate.

9. Capacity-building is crucial to developing countries, especially those that are particularly vulnerable to the adverse effects of climate change. The special circumstances of least developed countries and small island developing States need to be taken into account in the implementation of this framework. They include:

(a) Fragile ecosystems;

(b) High population pressure and isolated geographical locations;

(c) Weak economies, low incomes, high levels of poverty and a lack of foreign investment;

(d) Land degradation, desertification;

(e) Undeveloped services, *inter alia*, meteorological and hydrological services and water resources management;

(f) Lack of early warning systems for natural disaster management;

(g) Inadequate food security.

10. Capacity-building involves "learning by doing". Demonstration projects may be used in identifying and learning about the specific capacities that need to be further developed in developing countries.

11. Existing national institutions have an important role to play in supporting capacity-building activities in developing countries. Such centres can incorporate traditional skills, knowledge and practices, to provide appropriate services in developing countries and facilitate information sharing. Whenever possible and effective, therefore, capacity-building should mobilize these existing national, subregional and regional institutions and the private sector in developing countries and build on existing processes and endogenous capacities.

12. National coordinating mechanisms and focal points and national coordinating entities have an important role to play in ensuring coordination at the country and regional levels and may serve as the focal point for coordinating capacity-building activities.

13. Multilateral and bilateral bodies are encouraged to take account of this framework in their consultations with developing countries when supporting capacity-building activities related to the implementation of the Convention and the preparation for effective participation by developing countries in the Kyoto Protocol process.

C. Objective and scope of capacity-building

Objective

14. Capacity-building should assist developing countries to build, develop, strengthen, enhance, and improve their capabilities to achieve the objective of the Convention through the implementation of the provisions of the Convention and the preparation for their effective participation in the Kyoto Protocol process.

Scope

15. The following is the initial scope of needs and areas for capacity-building in developing countries as broadly identified in the annex to decision 10/CP.5, in the compilation and synthesis document prepared by the secretariat[2] and in submissions by Parties:[3]

(a) Institutional capacity-building, including the strengthening or establishment, as appropriate, of national climate change secretariats or national focal points;

(b) Enhancement and/or creation of an enabling environment;

(c) National communications;

(d) National climate change programmes;

(e) Greenhouse gas inventories, emission database management, and systems for collecting, managing and utilizing activity data and emission factors;

(f) Vulnerability and adaptation assessment;

(g) Capacity-building for implementation of adaptation measures;

(h) Assessment for implementation of mitigation options;

(i) Research and systematic observation, including meteorological, hydrological and climatological services;

(j) Development and transfer of technology;

(k) Improved decision-making, including assistance for participation in international negotiations;

(l) Clean development mechanism;

(m) Needs arising out of the implementation of Article 4.8 and 4.9 of the Convention;

(n) Education, training and public awareness;

(o) Information and networking, including the establishment of databases.

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[2] FCCC/SB/2000/INF.1.
[3] FCCC/SB/2000/INF.5.

16. Other capacity-building needs and possible responses are being identified by the Parties in their discussions of other issues. The decisions resulting from these discussions, as well as other activities related to the implementation of the Convention and preparation for their effective participation in the Kyoto Protocol process, should continue to inform the scope and implementation of this framework.

Specific scope for capacity-building in least developed countries

17. The least developed countries, and small island developing States amongst them, are among the most vulnerable to extreme weather events and the adverse effects of climate change. They also have the least capacity to cope with and adapt to the adverse effects of climate change. The following is the initial assessment of needs and priority areas for capacity-building in these countries:

(a) Strengthening existing and, where needed, establishing national climate change secretariats or focal points to enable the effective implementation of the Convention and effective participation in the Kyoto Protocol process, including preparation of national communications;

(b) Developing an integrated implementation programme which takes into account the role of research and training in capacity-building;

(c) Developing and enhancing technical capacities and skills to carry out and effectively integrate vulnerability and adaptation assessments into sustainable development programmes and develop national adaptation programmes of action;

(d) Strengthening existing and, where needed, establishing national research and training institutions in order to ensure the sustainability of the capacity-building programmes;

(e) Strengthening the capacity of meteorological and hydrological services to collect, analyse, interpret and disseminate weather and climate information to support implementation of national adaptation programmes of action;

(f) Enhancing public awareness (level of understanding and human capacity development).

D. Implementation

Actions to enhance the implementation of this framework, taking into account the initial scope outlined in paragraphs 15 to 17

18. All Parties should improve the coordination and effectiveness of capacity-building efforts through dialogue between and among Parties included in Annex II, developing country Parties, and bilateral and multilateral institutions. All Parties should support the operation of this framework and promote conditions conducive to the sustainability and effectiveness of capacity-building activities.

19. In implementing this framework, developing country Parties should:

(a) Continue to identify their specific needs, options and priorities for capacity-building on a country-driven basis, taking into account existing capacities and past and current activities;

(b) Promote South-South cooperation by utilizing the services of institutions in developing countries that can support capacity-building activities at the national, subregional and regional levels, wherever possible and effective;

(c) Promote the participation of a wide range of stakeholders, including governments at all levels, national and international organizations, civil society and the private sector, as appropriate;

(d) Promote the coordination and sustainability of activities undertaken within this framework, including the efforts of national coordinating mechanisms, focal points, and national coordinating entities;

(e) Facilitate the dissemination and sharing of information on capacity-building activities conducted by developing countries for better coordination and South-South cooperation.

20. In implementing this framework, Parties included in Annex II should:

(a) Provide additional financial and technical resources to assist developing countries, in particular the least developed countries and small island developing States amongst them, in the implementation of this framework, including promptly available financial and technical resources to enable them to undertake country-level needs assessments and to develop specific capacity-building activities consistent with this framework;

(b) Respond to the capacity-building needs and priorities of developing countries, in particular the least developed countries and small island developing States amongst them, in a coordinated and timely manner, and support activities implemented at the national and, as appropriate, subregional and regional levels;

(c) Give particular attention to the needs of least developed countries and small island developing States amongst them.

Financing and operation

21. Financial and technical resources should be made available, through an operating entity of the financial mechanism and, as appropriate, multilateral and bilateral agencies and the private sector, to assist developing countries, in particular the least developed countries and small island developing States amongst them, in the implementation of this framework.

22. In response to this framework, the operating entity of the financial mechanism should elaborate a country-driven strategy for its capacity-building activities.

23. Multilateral and bilateral agencies are encouraged to take constructive action to support capacity-building activities in this framework through streamlined and coordinated approaches and in a timely manner.

24. Financial and other assistance is to be made available to developing countries, in particular to the least developed countries and small island developing States amongst them, to enable them to continue to determine, assess and prioritize their needs for capacity-building in a simple, timely manner and to assist them in strengthening existing institutions and, when needed, to establish the institutional arrangements to implement effective capacity-building activities.

25. The capacity-building activities undertaken within this framework are to be country-driven and implemented primarily at the country level.

26. In order to facilitate the exchange of information and cooperation, developing countries, in collaboration with relevant institutions, should identify regional, subregional and sectoral activities that can effectively and efficiently address common capacity-building needs.

27. The results of activities conducted by the Global Environment Facility as a multilateral financial institution, including the Capacity Development Initiative, as well as activities undertaken by multilateral, bilateral and private sector entities, may be considered in further developing capacity-building activities within this framework at the regional and subregional levels.

Time-frame

28. This framework for capacity-building should be implemented promptly, taking into account the immediate, medium- and long-term priority needs identified by developing countries.

29. Developing countries which have already identified their capacity-building priorities through ongoing work aimed at the implementation of the Convention, should be able to promptly implement capacity-building activities under this framework.

30. The immediate priority needs of developing countries, in particular the least developed countries and small island developing States amongst them, should be addressed urgently in the implementation of this framework.

Review of progress

31. The Conference of the Parties, through the Subsidiary Body for Implementation, shall regularly monitor and review the progress in the implementation of this framework.

32. The Global Environment Facility, as the operating entity of the financial mechanism, is requested to report on its progress in support of the implementation of this framework in its reports to the Conference of the Parties.

Role of the secretariat

33. In accordance with this framework for capacity-building, the secretariat is requested, consistent with Article 8 of the Convention, to undertake the following tasks:

(a) To cooperate with the operating entity of the financial mechanism, its implementing agencies and other entities for capacity-building to facilitate the implementation of this framework;

(b) To collect, process, compile and disseminate the information needed by the Conference of the Parties or its subsidiary bodies to review the progress in the implementation of this framework for capacity-building.

III. CAPACITY-BUILDING IN COUNTRIES WITH ECONOMIES IN TRANSITION

Draft decision -/CP.6

Capacity-building in countries with economies in transition

The Conference of the Parties,

Recalling its decision 11/CP.5,

Recalling Articles 4.1, 4.2, 4.5 and 4.6, 5, 6 and 12 of the Convention,

Noting Articles 2, 3, 5, 6, 7, 10 and 17 of the Kyoto Protocol,

Further recalling its decisions 9/CP.2, 6/CP.4 and 7/CP.4,

Having considered the relevant recommendations of the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation,[1]

1. *Adopts* the framework for capacity-building activities in countries with economies in transition contained in the annex below;

2. *Decides* to give immediate effect to this framework, in order to assist Parties with economies in transition to implement the Convention;

3. *Notes* that many areas for capacity-building identified under the Convention are also relevant to the preparation of Parties with economies in transition for participation in the Kyoto Protocol when it enters into force;

4. *Decides* to review the effectiveness of the implementation of the framework at regular intervals;

5. *Invites* Parties included in Annex II and Parties with economies in transition to provide information to enable the Conference of the Parties and the subsidiary bodies to monitor progress in the implementation of this framework, consistent with guidelines for the preparation of national communications;

6. *Urges* Parties included in Annex II, through multilateral agencies, including through the Global Environment Facility within its mandate, and bilateral agencies and the private sector, as appropriate, to make available financial and technical support for the implementation of this framework for capacity-building, including assistance for the development of national action plans of Parties with economies in transition consistent with their priorities;

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[1] FCCC/SBSTA/2000/10, FCCC/SBI/2000/10.

7. *Further urges* multilateral and bilateral agencies to coordinate in support of the implementation of this framework for capacity-building;

8. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session, adopt a decision endorsing a framework for capacity-building under the Convention that parallels the framework contained in the annex below, with additional reference to priority areas for capacity-building relating to implementation of the Kyoto Protocol;

9. *Requests* the secretariat, consistent with Article 8 of the Convention:

(a) To cooperate with multilateral and bilateral institutions to facilitate the implementation of this framework;

(b) To collect, process, compile and disseminate the information needed by the Conference of the Parties and the subsidiary bodies to monitor progress in the implementation of this framework.

ANNEX

Framework for capacity-building in countries with economies in transition

A. Purpose

1. The purpose of this framework for capacity-building is to set out the scope and basis for action for capacity-building activities in countries with economies in transition (EIT Parties) under the Convention and for the preparation of EIT Parties for their participation in the Kyoto Protocol when it enters into force.

B. Guiding principles and approaches

2. This framework for capacity-building in EIT Parties is guided and informed by, *inter alia*, Articles 4.1, 4.2, 4.5 and 4.6, 5, 6 and 12 of the Convention and relevant provisions contained in decisions 9/CP.2, 6/CP.4, 7/CP.4 and 11/CP.5 and takes account of Articles 2, 3, 5, 6, 7 and 17 of the Kyoto Protocol.

3. As Parties included in Annex I, EIT Parties have quantified emission limitation and reduction commitments that impose challenges to their existing capacities to implement the Convention. As Parties undergoing the process of transition to a market economy, they need to enhance their ability to address climate change issues. Capacity-building is therefore critical to the effective implementation by EIT Parties of their commitments under the Convention and the preparation of EIT Parties for their participation in the Kyoto Protocol when it enters into force.

4. Capacity-building for EIT Parties must be country-driven, consistent with their national sustainable development strategies, reflect their national initiatives and priorities, respond to needs determined and prioritized by EIT Parties themselves and be primarily undertaken by and in EIT Parties in partnership with other Parties and relevant organizations, as appropriate, in accordance with the provisions of the Convention.

5. Capacity-building should contribute to the effective implementation of the Convention by EIT Parties and the preparation of EIT Parties for their participation in the Kyoto Protocol when it enters into force.

6. Capacity-building efforts are more effective when they take place within an enabling environment conducive to the development of human, institutional and technical capacity.

7. Capacity-building should be results-oriented and implemented in an integrated and programmatic manner to facilitate its monitoring and evaluation, cost-effectiveness and efficiency.

8. Capacity-building is a continuous process aimed at strengthening or establishing, as appropriate, relevant institutions, organizational structures, and human resources in order to strengthen expertise relevant to paragraph 3 of this framework.

9. Capacities should be developed and strengthened in a manner and under conditions that will work towards sustainability and support the short- and long-term objectives and priorities of EIT Parties under the Convention.

10. Capacity-building involves "learning by doing". Capacity-building activities should be designed and implemented in a flexible manner.

11. Capacity-building should improve the coordination and effectiveness of existing efforts and promote the participation of and dialogue between a wide range of actors and constituencies, including governments at all levels, international organizations, civil society and the private sector.

12. Wherever possible, capacity-building should utilize existing institutions and bodies and build on existing processes and endogenous capacities.

13. National focal points and other institutions such as research centres and universities and other relevant organizations should play an important role in providing capacity-building services and facilitating the flow of knowledge, best practices and information.

14. Capacity-building should be designed so that it results in the development, strengthening and enhancement of institutional capacities, human resources, knowledge and information, methodologies and practices, and the participation and networking of EIT Parties to promote sustainable development and for the purpose set out in paragraph 1 of this framework.

15. Capacity-building in support of achieving the objectives of the Convention should maximize synergies between the Convention and other global environmental agreements, as appropriate.

16. Capacity-building is more effective when it is coordinated at all levels (national, regional and international) through dialogue between and among Parties included in Annex I, and when past and existing efforts are taken into account.

C. Objective and scope of capacity-building

Objective

17. The objective of capacity-building is to build the capacity of EIT Parties to enable them to effectively implement the objective of the Convention and to prepare for their participation in the Kyoto Protocol when it enters into force.

Scope

18. To ensure that capacity-building efforts are country-driven, each EIT Party should, within the scope for capacity-building, determine its specific objectives, needs, priorities and options to implement the Convention and to prepare for its participation in the Kyoto Protocol when it enters into force, consistent with its national sustainable development strategy, taking into account existing capacities and past and current activities undertaken by the country itself and in partnership with bilateral and multilateral institutions and the private sector.

19. The needs for capacity-building in EIT Parties were first identified in the compilation and synthesis document prepared by the secretariat (FCCC/SB/2000/INF.2) based on the submissions of EIT Parties (FCCC/SB/2000/INF.7). The general areas and needs for capacity-building are listed below. This scope for capacity-building may be revised as further information is made available and as needs and priorities are further identified.

20. General priority areas for capacity-building identified by EIT Parties related to the implementation of the Convention, which may also be relevant to their preparation for participation in the Kyoto Protocol, are to be identified in their national action plan for capacity-building, and include:

(a) National greenhouse gas (GHG) inventories;

(b) Projections of GHG emissions;

(c) Policies and measures, and the estimation of their effects;

(d) Impact assessment and adaptation;

(e) Research and systematic observation;

(f) Education, training and public awareness;

(g) Transfer of environmentally sound technologies;

(h) National communications and national climate action plans;

(i) National systems for estimation of GHG emissions;

(j) Modalities for accounting relating to targets, timetables and national registries;

(k) Reporting obligations;

(l) Joint implementation projects and emissions trading.

21. In order to maximize available resources for capacity-building and to facilitate exchange and cooperation among EIT Parties, multilateral and bilateral agencies in consultation with EIT Parties should assist, as appropriate, the efforts of EIT Parties themselves to identify, develop and implement national, regional, subregional and sectoral activities that meet the capacity-building needs of EIT Parties. The results of the current and next phase of the Capacity Development Initiative of the Global Environment Facility could provide valuable inputs for these activities.

D. Implementation

Responsibilities for implementation

22. In implementing the activities undertaken within this framework for capacity-building, EIT Parties and Parties included in Annex II have the following mutual responsibilities:

(a) To improve the coordination and effectiveness of existing efforts;

(b) To provide information to enable the Conference of the Parties to monitor progress in the implementation of this framework for capacity-building.

23. In the implementation of this framework for capacity-building, EIT Parties have the following responsibilities:

(a) To provide an enabling environment to promote the sustainability and effectiveness of capacity-building activities relating to the implementation of the ultimate objective of the Convention;

(b) To identify their specific needs, priorities and options for capacity-building on a country-driven basis, taking into account existing capacities and past and current activities;

(c) To identify and provide information on their own capacity-building activities;

(d) To promote cooperation among EIT Parties as well as to report to the Conference of the Parties on these activities in their national communications;

(e) To ensure the mobilization and sustainability of national capacities, including the institutional leadership necessary for national coordination and the effectiveness of capacity-building activities;

(f) To promote the participation in and access to capacity-building activities of all stakeholders, including governments, civil society and the private sector, as appropriate.

24. In cooperating with EIT Parties to support the implementation of this framework for capacity-building, Parties included in Annex II have the following responsibilities:

(a) To assist EIT Parties, including by making available financial and other resources, to undertake country-level needs assessments to effectively implement the Convention and, as appropriate, to prepare them for participation in the Kyoto Protocol when it enters into force;

(b) To assist EIT Parties, including through the provision of financial and other resources, to implement options for capacity-building consistent with their specific priorities and this framework.

Financing

25. The Parties included in Annex II, through multilateral agencies, including through the Global Environment Facility within its mandate, and bilateral agencies and the private sector as appropriate, are requested to make available financial and technical support to assist EIT Parties in the implementation of this framework for capacity-building.

Time-frame

26. The implementation of activities undertaken within this framework for capacity-building should commence as soon as possible.

Monitoring of progress

27. The Conference of the Parties, through the subsidiary bodies, shall monitor the effectiveness of the implementation of this framework for capacity-building.

28. Information to enable the Conference of the Parties to monitor the effectiveness of the implementation of this framework should be reported by Parties. Other institutions involved in capacity-building in EIT Parties are invited to provide information for this purpose.

Role of the secretariat

29. In accordance with this framework for capacity-building, the secretariat is requested, consistent with Article 8 of the Convention, to undertake the following tasks:

(a) To cooperate with multilateral and bilateral institutions to facilitate the implementation of this framework;

(b) To collect, process, compile and disseminate the information needed by the Conference of the Parties or its subsidiary bodies to monitor the progress in the implementation of this framework for capacity-building.

IV. IMPLEMENTATION OF ARTICLE 4, PARAGRAPHS 8 AND 9, OF THE CONVENTION (DECISION 3/CP.3 AND ARTICLE 2, PARAGRAPH 3, AND ARTICLE 3, PARAGRAPH 14, OF THE KYOTO PROTOCOL)

Draft decision -/CP.6

Implementation of Article 4, paragraphs 8 and 9, of the Convention (decision 3/CP.3 and Articles 2, paragraph 3 and 3, paragraph 14, of the Kyoto Protocol)

The Conference of the Parties,

Recalling its decisions 3/CP.3, 5/CP.4, and 12/CP.5,

Acknowledging the importance of a country-driven approach that allows developing country Parties to pursue the specific activities most appropriate to their unique national circumstances,

Acknowledging also that action related to adaptation should follow an assessment and evaluation process, based on national communications and/or other relevant information, so as to prevent maladaptation and to ensure that adaptation actions are environmentally sound and will produce real benefits in support of sustainable development,

Reaffirming that the specific needs and special circumstances of developing country Parties, especially those that are particularly vulnerable to the adverse effects of climate change, and of those Parties, especially developing country Parties, that would have to bear a disproportionate or abnormal burden under the Convention, should be given full consideration,

Underlining the importance of the ongoing work of the secretariat in compiling and disseminating information on methods and tools to evaluate impacts and adaptation strategies,

Affirming that responses to climate change should be coordinated with social and economic development in an integrated manner with a view to avoiding adverse impacts on the latter, taking into full account the legitimate priority needs of developing countries for the achievement of sustained economic growth and the eradication of poverty,

Acknowledging the need to sensitize policy makers and the general public in Parties not included in Annex I to the Convention (non-Annex I Parties) to climate change and its effects, in accordance with Article 6 (a) of the Convention,

Acknowledging the efforts already made by Parties to meet the specific needs and concerns of developing country Parties, in particular the least developed countries, with regard to adaptation,

Acknowledging that the impact of the implementation of response measures will differ significantly from country to country, depending on each country's unique national circumstances, including the structure of its economy, trade and investment flows, natural resource endowment, social system, legal regime, and population growth rate,

Recognizing that the least developed countries are among the most vulnerable to the adverse effects of climate change, and in particular that widespread poverty limits their adaptive capacity,

Acknowledging that the human, infrastructural and economic conditions of the least developed countries severely limit their capacities to participate effectively in the climate change process,

Having considered the report,[1] in two parts, on the two workshops referred to in decision 12/CP.5,

I

ADVERSE EFFECTS OF CLIMATE CHANGE

1. *Requests* Parties not included in Annex I to the Convention (non-Annex I Parties) to provide information, including in their national communications, and/or any other relevant information sources, on their specific needs and concerns arising from the adverse effects of climate change;

2. *Stresses* the need for Parties included in Annex II to the Convention (Annex II Parties) to provide detailed information, including in their national communications, on support programmes to meet the specific needs and circumstances of developing country Parties arising from the adverse effects of climate change;

3. *Encourages* Parties to exchange information on their experience regarding the adverse effects of climate change and on measures to meet their needs arising from these adverse effects;

4. *Decides* that financial and technological support for activities to address the adverse effects of climate change in developing country Parties should be provided through, *inter alia*, the adaptation fund. Activities eligible for such support include the following:

(a) Information and methodologies:

(i) Improving data collection and information gathering, as well as the analysis, interpretation and dissemination to end-users;

(ii) Integrating climate change considerations into sustainable development planning;

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[1] FCCC/SB/2000/2.

(iii) Providing training in specialized fields relevant to adaptation such as climate and hydroclimate studies, geographical information systems, environmental impact assessment, modelling, integrated coastal zone management, soil and water conservation and soil restoration;

(iv) Strengthening existing and, where needed, establishing national and regional systematic observation and monitoring networks (sea level, climate and hydrological regimes, fire hazards, land degradation, floods, cyclones and droughts);

(v) Strengthening existing and, where needed, establishing national and regional centres and institutions for the provision of research, training, education and scientific and technical support in specialized fields relevant to climate change, utilizing information technology as much as possible;

(vi) Strengthening existing and, where needed, establishing national and regional research programmes on climate variability and climate change, oriented towards improving the knowledge of the climate system on the regional scale, and creating national and regional scientific capability;

(vii) Supporting education and training in, and public awareness of, issues relating to the adverse effects of climate change, for example through workshops, and information dissemination;

(b) Vulnerability and adaptation:

(i) Supporting enabling activities for vulnerability and adaptation assessment;

(ii) Enhancing technical training for integrated climate change impact, vulnerability and adaptation assessments, across all relevant sectors, and environmental management related to climate change;

(iii) Enhancing capacity, including institutional capacity, to integrate adaptation into sustainable development programmes;

(iv) Promoting the transfer of adaptation technologies;

(v) Establishing pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into projects that will provide real benefits, and may be integrated into national policy and sustainable development planning, on the basis of information provided in the national communications from non-Annex I Parties, and/or other relevant sources, and of the staged approach endorsed by the Conference of the Parties in its decision 11/CP.1;

(vi) Starting the implementation of adaptation activities where sufficient information is available to warrant such activities, *inter alia*, in the areas of water resources management, land management, agriculture, health,

infrastructure development, fragile ecosystems, and integrated coastal zone management;

(vii) Improving monitoring of diseases and vectors affected by climate change, and related forecasting and early-warning systems, and in this context, improving disease control and prevention;

(viii) Capacity-building, including institutional capacity, for preventive measures, planning, preparedness and management of disasters related to climate change, including contingency planning, in particular, for droughts and floods in areas prone to extreme weather events;

(ix) Strengthening existing and, where needed, establishing early warning systems for extreme weather events in an integrated and interdisciplinary manner to assist developing country Parties, in particular those most vulnerable to climate change;

(x) Strengthening existing and, where needed, establishing national and regional centres and information networks for rapid response to extreme weather events, utilizing information technology as much as possible;

(xi) Improving climate-induced disaster relief for vulnerable developing country Parties under Article 4.8 and 4.9 of the Convention;

(xii) Implementing measures regarding forest conservation, rehabilitation of degraded land, and combating desertification, particularly in Africa;

5. *Requests* the Subsidiary Body for Implementation to review, at its subsequent sessions, the progress of the above-mentioned activities and make recommendations thereon to the Conference of the Parties at its eighth session;

II

IMPACT OF THE IMPLEMENTATION OF RESPONSE MEASURES

6. *Requests* non-Annex I Parties to provide information in their national communications and/or other relevant reports, on their specific needs and concerns arising from the impact of the implementation of response measures;

7. *Requests* Annex II Parties and other Annex I Parties that are in a position to do so to provide detailed information, in their national communications and/or other relevant reports, on their existing and planned support programmes to meet the specific needs and concerns of developing country Parties arising from the impact of the implementation of response measures;

8. *Requests* Annex I Parties to assist non-Annex I Parties, based on methodological work, in the implementation of the activities mentioned in this section;

9. *Encourages* Parties to cooperate in creating favourable conditions for investment in sectors where such investment can contribute to economic diversification. Economic

diversification activities shall be eligible for support provided under the special climate change fund;

10. *Encourages* Parties to cooperate in the technological development of non-energy uses of fossil fuels, and requests Annex I Parties to support developing country Parties to this end;

11. *Encourages* Parties to cooperate in the development, diffusion and transfer of advanced fossil fuel technologies entailing less emissions of greenhouse gases, and/or technologies relating to fossil fuels, that capture and store greenhouse gases; and requests Annex I Parties to facilitate the participation of the least developed countries and other non-Annex I Parties in this effort;

12. *Urges* Annex I Parties to provide financial and technological support for strengthening the capacity of developing country Parties identified in Article 4.8 and 4.9 of the Convention for improving efficiency in upstream and downstream activities relating to fossil fuels, taking into consideration the need to improve the environmental efficiency of these activities;

13. *Recommends* that further methodological work relating to the impact of response measures address the following issues:

(a) Developing methodologies for assessing, and case studies describing, the impact of response measures since the Convention entered into force;

(b) Incorporating information from developing country Parties on the impact of response measures into the above-mentioned methodological work;

(c) Developing methodologies for assessing possible effects of alternative future response measures;

14. *Requests* the Subsidiary Body for Implementation to review, at its subsequent sessions, progress on the above-mentioned activities, with a view to making recommendations thereon to the Conference of the Parties at its eighth session;

III

IMPLEMENTATION OF ARTICLE 4.9 OF THE CONVENTION

15. *Decides* to establish a work programme for the implementation of Article 4.9 of the Convention, which would include activities covered under paragraphs 16 to 19 below;

16. *Decides* that the above-mentioned work programme shall include support for overcoming basic institutional limitations which impede the effective participation of the least developed countries in the Convention process, including through the following:

(a) Strengthening existing, and where needed establishing, national climate change secretariats and/or focal points to enable the effective implementation of the Convention and the Kyoto Protocol when it enters into force, in least developed country Parties;

(b) Supporting training, on an ongoing basis, in negotiating skills and language, where needed, to develop the capacity of negotiators from the least developed countries to participate effectively in the climate change process;

17. *Requests* the Subsidiary Body for Implementation to consider the recommendations related to the guidelines for the preparation of national adaptation programmes of action referred to in document FCCC/SBI/2001/7, which would serve as a voluntary, simplified and direct channel for communicating information relating to the vulnerability and adaptation needs of least developed country Parties, and to forward, as appropriate, a draft decision for consideration by the Conference of the Parties at its seventh session;

18. *Decides* that support be provided, through the Global Environment Facility, in accordance with criteria to be developed by the Global Environment Facility within the context of the guidance from the Conference of the Parties, for the implementation, by the least developed countries, of activities included in the national adaptation programmes of action referred to in paragraph 17 above;

19. *Requests* the Subsidiary Body for Implementation to consider the establishment of a least developed country expert group, *inter alia*, to assist in the development of national adaptation programmes of action, with a view to making recommendations thereon to the Conference of the Parties at its seventh session;

20. *Decides* to assess, at its eighth session, the status of implementation of the work programme for the implementation of Article 4.9 of the Convention and to consider further action thereon;

IV

FURTHER MULTILATERAL WORK RELATED TO ISSUES UNDER ARTICLE 4.8 AND 4.9 OF THE CONVENTION

21. *Requests* the secretariat to organize regional workshops in order to facilitate information exchange and integrated assessments, including for adaptation;

22. *Requests* the secretariat to organize a workshop, before the eighth session of the Conference of the Parties, on the status of modelling activities to assess the adverse effects of climate change and the impact of response measures already implemented on individual developing country Parties, including on how to enhance the participation of developing country experts in such efforts, and to report the results of this workshop to the Conference of the Parties at its eighth session;

23. *Requests* the secretariat to organize a workshop, before the eighth session of the Conference of the Parties, on insurance-related actions to address the specific needs and concerns of developing country Parties arising from the adverse effects of climate change and from the impact of the implementation of response measures, and to report the results of this workshop to the Conference of the Parties at its eighth session;

24. *Requests* the secretariat to organize a workshop, before the ninth session of the Conference of the Parties, on the possible synergies and joint action with the other multilateral environmental conventions and agreements such as the Convention to Combat Desertification, and to report the results of this workshop to the Conference of the Parties at its ninth session;

25. *Requests* the secretariat to organize a workshop, before the ninth session of the Conference of the Parties, on the needs and options of non-Annex I Parties for economic diversification, and on support programmes by Annex II Parties to address these needs, and to report the results of this workshop to the Conference of the Parties at its ninth session;

26. *Requests* the secretariat to organize a workshop, before the ninth session of the Conference of the Parties, on insurance and risk assessment in the context of climate change and extreme weather events, and to report the results of this workshop to the Conference of the Parties at its ninth session.

V. MATTERS RELATING TO ARTICLE 3, PARAGRAPH 14, OF THE KYOTO PROTOCOL

Draft decision -/CP.6

Matters relating to Article 3, paragraph 14, of the Kyoto Protocol

The Conference of the Parties,

Having considered matters relating to Article 3.14 of the Kyoto Protocol,

Recalling its decision 8/CP.4, particularly as it refers to decision 5/CP.4,

Recognizing the special difficulties of those countries, especially developing countries, whose economies are particularly dependent on fossil fuel production, use and exportation, as a consequence of action taken to limit greenhouse gas emissions,

Recognizing the role that cost-effective and transparent flexibility mechanisms of the Kyoto Protocol could have in minimizing the impacts of response measures on Parties not included in Annex I to the Convention,

Acknowledging the role that can be played by the progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas emitting sectors, that run counter to the objective of the Convention and application of market instruments, in accordance with Article 2.1(a)(v) of the Kyoto Protocol,

Recommends that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session after entry into force of the Protocol, adopt the following decision.

Draft decision -/CMP.1

Matters relating to Article 3, paragraph 14, of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Having considered matters relating to Article 3.14 of the Kyoto Protocol,

Recalling its decision 8/CP.4, particularly as it refers to decision 5/CP.4,

Recognizing the special difficulties of those countries, especially developing countries, whose economies are particularly dependent on fossil fuel production, use and exportation, as a consequence of action taken to limit greenhouse gas emissions,

Recognizing the role that cost-effective and transparent flexibility mechanisms of the Kyoto Protocol could have in minimizing the impacts of response measures on Parties not included in Annex I,

Acknowledging the role that can be played by the progressive reduction or phasing out of market imperfections, fiscal incentives, tax and duty exemptions and subsidies in all greenhouse gas emitting sectors, that run counter to the objective of the Convention and application of market instruments, in accordance with Article 2.1(a)(v) of the Kyoto Protocol,

1. *Decides* to establish a process to address the implementation of Article 3.14 of the Kyoto Protocol, including information exchange and the development of methodologies on all aspects of the minimization of adverse social, environmental and economic impacts on developing country Parties, particularly those identified in Article 4.8 and 4.9 of the Convention, including methodologies related to the establishment of funding, insurance and transfer of technology;

2. *Invites* Parties not included in Annex I to provide information on their specific needs and concerns related to the adverse social, environmental and economic impacts arising from the implementation of commitments under Article 3.1 of the Kyoto Protocol, and encourages Parties included in Annex II to provide support for that purpose;

3. *Invites* the Intergovernmental Panel on Climate Change, in cooperation with other relevant organizations, to prepare a technical paper on geological carbon storage technologies, covering current information, and report on it for consideration at its third session;

4. *Requests* Parties included in Annex I to report in their national communications on their actions to minimize the adverse social, environmental and economic impacts on developing country Parties pursuant to Article 3.14 of the Kyoto Protocol, including on the following:

(a) Reducing or phasing out subsidies associated with the production of fossil fuels in Parties included in Annex I;

(b) Cooperating in the technological development of non-energy uses of fossil fuels, and supporting developing country Parties to this end;

(c) Cooperating in the development, diffusion and transfer of advanced fossil fuel technologies entailing less emissions of greenhouse gases, and/or technologies relating to fossil fuels that capture and store greenhouse gases, and encouraging their wider use; and facilitating the participation of the least developed countries and other Parties not included in Annex I in this effort;

(d) Strengthening the capacity of developing country Parties identified in Article 4.8 and 4.9 of the Convention for improving efficiency in upstream and downstream activities relating to fossil fuels, taking into consideration the need to improve the environmental efficiency of these activities;

(e) Assisting developing country Parties which are highly dependent on the export and consumption of fossil fuels in diversifying their economies;

5. *Decides* to review the actions taken by Parties included in Annex I, in accordance with this decision, and consider at its third session what further actions are necessary, including the establishment of funding, insurance and transfer of technology, pursuant to Article 3.14;

6. *Requests* the secretariat to organize a workshop before the second session of the Conference of the Parties serving as the meeting of the Parties, on methodological issues related to the adverse social, environmental and economic impacts of response measures on developing country Parties under Article 3.14 of the Kyoto Protocol;

7. *Requests* the secretariat to organize a workshop before the second session of the Conference of the Parties serving as the meeting of the Parties, on the choice of policies and measures that Parties included in Annex I intend to adopt to meet their commitments under the Kyoto Protocol, on how these may adversely impact developing countries under Article 3.14, and on ways to minimize these impacts;

8. *Requests* the Subsidiary Body for Implementation to consider the output of the workshops referred to in this decision, and to make recommendations thereon to the Conference of the Parties serving as the meeting of the Parties at its second session.

VI. ADDITIONAL GUIDANCE TO AN OPERATING ENTITY OF THE FINANCIAL MECHANISM

Draft decision -/CP.6

Additional guidance to an operating entity of the financial mechanism

The Conference of the Parties,

Recalling its decisions 11/CP.1, 10/CP.2, 11/CP.2, 12/CP.2, 2/CP.4, 8/CP.5 and 10/CP.5,

Noting the extension of funding through the expedited procedures of the Global Environment Facility (GEF) for countries to address capacity-building needs identified in decision 2/CP.4 enabling Parties to maintain and enhance relevant national capacities and for the preparation of second national communications,

Noting also the launching of the GEF Country Dialogue Workshops, which have been designed to strengthen national coordination and capacity-building and to promote awareness-raising, and the results of the first phase of the GEF Capacity Development Initiative,

1. *Decides* that, in accordance with Articles 4.1, 4.3, 4.4, 4.5, 4.7, 4.8, 4.9, 4.10 and 11.1 of the Convention, the GEF, as an operating entity of the financial mechanism, shall provide financial resources to developing country Parties, in particular the least developed and the small island developing States amongst them, to:

(a) Strengthen in particularly vulnerable countries and regions identified in stage I activities, and especially in countries vulnerable to climate-related natural disasters, the implementation of country-driven stage II adaptation activities, further to decision 2/CP.4, paragraph 1 (a), that build upon work done at the national level in the context of national communications and/or on in-depth national studies;

(b) Establish pilot or demonstration projects to show how adaptation planning and assessment can be practically translated into projects that will provide real benefits, and may be integrated into national policy and sustainable development planning, on the basis of information provided in the national communications from non-Annex I Parties, and/or other relevant sources, and of the staged approach endorsed by the Conference of the Parties in its decision 11/CP.1;

(c) Implement concrete adaptation projects and programmes (stage III) in, *inter alia*, the areas of water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, and integrated coastal zone management;

(d) Support the continuation of the "country-team" approach, which enhances the collection, management, archiving, analysis, interpretation and dissemination of data on climate change issues and increases national commitment to the implementation of the objective of the Convention;

(e) Enhance the capacity of their subregional and/or regional information networks to enable such networks to serve as repositories of climate change related information on vulnerability and adaptation assessments and geographic information systems;

(f) Improve climate change related data collection (e.g. local and regional emission factors) and information-gathering, as well as the analysis, interpretation and dissemination of these data to national policy makers and other end-users;

(g) Strengthen, and where needed establish:

(i) National, subregional or regional databases on climate change;

(ii) Subregional and/or regional climate change related institutions and "centres of excellence", to enable these institutions and centres to provide a supportive framework, including information retrieval and technical support;

(h) Develop and implement, as appropriate, prioritized projects identified in their national communications;

(i) Undertake more in-depth public awareness and education activities and community involvement and participation in climate change issues;

(j) Build the capacity, including institutional capacity, for preventive measures, planning, preparedness and management of disasters related to climate change, including contingency planning, in particular, for droughts and floods in areas prone to extreme weather events;

(k) Strengthen existing, and where needed establish, early warning systems for extreme weather events in an integrated and interdisciplinary manner to assist developing country Parties, in particular those most vulnerable to climate change;

(l) Support the continuation of GEF related programmes, which assist Parties that are at various stages of preparing and/or completing, their initial national communications;

(m) Implement adaptation activities, including those related to the implementation of Article 4.8 and 4.9 of the Convention, as contained in decision -/CP.6 *(decision on implementation of Article 4.8 and 4.9 of the Convention)*, employing, *inter alia*, resources of the adaptation fund;

(n) Implement activities on capacity-building, transfer of technology and economic diversification, in accordance with decisions -/CP.6, -/CP.6 and -/CP.6 *(decisions on capacity-building, transfer of technologies and implementation of Article 4.8 and 4.9 of the Convention)*, respectively; employing, *inter alia*, resources of the special climate change fund;

(o) Implement other activities, programmes and measures related to climate change, in the areas of energy, transport, industry, agriculture, forestry and waste management as contained in decision -/CP.6 *(decision on funding and resource levels)* employing, *inter alia*, resources of the special climate change fund;

2. *Requests* the GEF to:

(a) Further streamline its procedures and policies, project cycle and delivery system with a view to making project preparations and implementation of the above-mentioned activities simpler, more transparent and more country-driven. In this regard, the project cycles of its implementing and executing agencies should be coordinated with the GEF project cycle;

(b) Ensure that funded projects are responsive to national needs and priorities and that these projects are integrated in national programmes;

(c) Urge its implementing and executing agencies to be more responsive to requests for GEF assistance from developing country Parties for climate change related project activities aimed at implementing the guidance of the Conference of the Parties;

(d) Further encourage the use of national and regional experts and/or consultants to enhance project development and implementation; in this regard, it should make its list of national and regional experts and/or consultants publicly available;

(e) Give consideration to measures to increase opportunities available to developing country Parties for accessing GEF funds for climate change activities aimed at implementing the guidance of the Conference of the Parties, including a review of the adequacy of the number of implementing and executing agencies available to deliver GEF programmes and projects;

(f) Include, in its annual report to the Conference of the Parties, information on:

(i) The share of the GEF replenishment allocated to implement climate change, including adaptation, activities;

(ii) The specific steps it has taken to implement the provisions of this decision.

VII. FUNDING AND RESOURCE LEVELS

Draft decision -/CP.6

Funding and resource levels

The Conference of the Parties,

Recalling the relevant provisions of the United Nations Framework Convention on Climate Change, in particular its Articles 4.1, 4.3, 4.4, 4.5, 4.7, 4.8, 4.9, 4.10 and 11,

Recalling also its decisions 11/CP.1 and 15/CP.1,

Noting also Articles 10, 11 and 12.8 of the Kyoto Protocol,

Noting further that predictable and adequate levels of funding should be made available to Parties not included in Annex I, which are new and additional to contributions that are allocated to the Global Environment Facility climate change focal area and to multilateral and bilateral funding, for the implementation of the Convention and the Kyoto Protocol,

Recalling further the importance of appropriate burden sharing among the developed country Parties,

1. *Decides* that a new trust fund, the adaptation fund, shall be established, to be managed by an adaptation fund council under the guidance of the Conference of the Parties until the entry into force of the Kyoto Protocol;

2. *Decides also* that the adaptation fund council referred to in paragraph 1 above, shall comprise ten members from Parties to the Kyoto Protocol as follows:

(a) One member from each of the five regional groups of the United Nations and one member from the small island developing States, taking into account the interest groups as reflected by the current practice of the Bureau of the Conference of the Parties;

(b) Two members from Parties included in Annex I; and

(c) Two members from Parties not included in Annex I;

3. *Decides also* that five members shall be elected for a term of two years and five members for a term of four years. Each time thereafter, the Conference of the Parties shall elect five new members for a term of four years. Members may be eligible to serve a maximum of two consecutive terms;

4. *Recommends* to the Conference of the Parties serving as the meeting of the Parties to the Protocol that upon entry into force of the Kyoto Protocol, the adaptation fund shall function under the guidance of, and be accountable to, the Conference of the Parties serving as the meeting of the Parties to the Protocol, which shall decide on its policies, programme

priorities and eligibility criteria and assume the responsibilities of the Conference of the Parties to the Convention in providing guidance to the adaptation fund council;

5. *Decides* that the adaptation fund shall be used, in accordance with the guidance provided by the Conference of the Parties and upon entry into force of the Kyoto Protocol, by the Conference of the Parties serving as the meeting of the Parties to the Protocol to finance:

(a) Pilot or demonstration and concrete adaptation projects and programmes, including those related to the transfer of or access to adaptation technologies. The areas to be covered shall, *inter alia*, be water resources management, land management, agriculture, health, infrastructure development, fragile ecosystems, and integrated coastal zone management, as well as the implementation of other adaptation activities identified under decision -/CP.6 *(decision on implementation of Article 4.8 and 4.9 of the Convention)*;

(b) Measures regarding forest conservation, rehabilitation of degraded land and combating desertification, particularly in Africa;

6. *Decides also* that:

(a) Two per cent of the certified emission reductions generated from project activities implemented under the clean development mechanism shall be paid into the fund, in accordance with decision -/CP.6 *(decision on modalities and procedures for a clean development mechanism)*;

(b) The Parties included in Annex I shall make financial contributions to the adaptation fund. These contributions are particularly urgent during the start-up period of the adaptation fund;

7. *Invites* the Global Environment Facility:

(a) To report to the Conference of the Parties at its eighth session on its readiness to establish the above-mentioned adaptation fund and council;

(b) If it is prepared to enter into the arrangements referred to in paragraph 7 (a) above, to participate in negotiations to revise the existing Memorandum of Understanding between the Global Environment Facility and the Conference of the Parties to cover the operation of this fund, with a view to its acceptance by the Conference of the Parties at its ninth session;

8. *Recommends* that, upon entry into force of the Kyoto Protocol, the Conference of the Parties serving as the meeting of the Parties to the Protocol and the entity entrusted with the operation of the adaptation fund shall agree upon arrangements for the operation of this fund, including annual reports on the management of the adaptation fund to the Conference of the Parties serving as the meeting of the Parties to the Protocol to enable it to provide further guidance, where appropriate;

9. *Decides* that a new trust fund, the special climate change fund, shall be established under the guidance of the Conference of the Parties until the entry into force of the Kyoto Protocol;

10. *Recommends* that, upon entry into force of the Kyoto Protocol, the special climate change fund shall function under the guidance of, and be accountable to, the Conference of the Parties serving as the meeting of the Parties to the Protocol, which shall decide on its policies, programme priorities and eligibility criteria;

11. *Decides* that the special climate change fund shall be used, in accordance with the guidance provided by the Conference of the Parties and upon entry into force of the Kyoto Protocol by the Conference of the Parties serving as the meeting of the Parties to the Protocol, to finance activities, programmes and measures related to climate change in the following areas:

(a) Technology transfer in accordance with decision -/CP.6 *(decision on transfer of technologies)*;

(b) Capacity-building in accordance with decision -/CP.6 *(decision on capacity-building in developing countries)*;

(c) Economic diversification in accordance with decision -/CP.6 *(decision on implementation of Article 4.8 and 4.9 of the Convention)*;

(d) Energy;

(e) Transport;

(f) Industry;

(g) Agriculture;

(h) Forestry;

(i) Waste management;

12. *Decides also* that:

(a) The activities, programmes and measures mentioned in paragraph 11 above shall be additional and complementary to those funded by the resources allocated to the Global Environment Facility climate change focal area and by multilateral and bilateral funding for climate change;

(b) Annex I Parties shall make contributions to the fund in the form of financial contributions and/or units of assigned amount;

13. *Invites* the Global Environment Facility:

(a) To report to the Conference of the Parties at its eighth session on its readiness to establish the above-mentioned special climate change fund;

(b) If it is prepared to enter into the arrangements referred to in paragraph 13 (a) above, to participate in negotiations to revise the existing Memorandum of Understanding between the Global Environment Facility and the Conference of the Parties to cover the operation of this fund, with a view to its acceptance by the Conference of the Parties at its ninth session;

14. *Recommends* that, upon entry into force of the Kyoto Protocol, the Conference of the Parties serving as the meeting of the Parties to the Protocol and the entity entrusted with the operation of the special climate change fund shall agree upon arrangements for the operation of this fund, including annual reports on the management of the special climate change fund to the Conference of the Parties serving as the meeting of the Parties to the Protocol to enable it to provide further guidance, where appropriate;

15. *Decides further* that:

(a) Total financial contributions by Parties included in Annex I, to (i) the Global Environment Facility climate change focal area, (ii) the adaptation fund, (iii) the special climate change fund and (iv) bilateral and multilateral funding for climate change activities that is additional to current funding levels, shall rise to US$ 1 billion per year as soon as possible and not later than 2005;

(b) Contributions of individual Parties included in Annex I shall be calculated on the basis of their share of carbon dioxide (CO_2) emissions in 1990. Those Parties included in Annex I undergoing the process of transition to a market economy shall make contributions to the fund proportional to 50 per cent of their share of total CO_2 emissions in 1990. The table annexed to this decision shows the adjusted shares of CO_2 emissions which constitute the basis for contributions of all Parties included in Annex I;

(c) Public funding for clean development mechanism projects shall not be included in the contributions referred to in paragraph 15 (a) above;

(d) The 2 per cent of the certified emission reductions generated from project activities implemented under the clean development mechanism paid to the adaptation fund shall not be included in the contributions referred to in paragraph 15 (a) above;

(e) Parties that fail to pay their contributions toward the US$ 1 billion per year shall be ineligible for membership in the following bodies: adaptation fund council, executive board of the clean development mechanism, Article 6 supervisory committee, compliance committee facilitative branch, compliance committee enforcement branch and the intergovernmental consultative group of scientific and technical experts on technology transfer;

(f) The amount to be used for adaptation shall rise to approximately half the resources level stipulated in paragraph 15 (a) above, over a number of years. The Conference of the Parties shall consider at future sessions if the percentage used for adaptation is adequate;

(g) The Conference of the Parties shall seek the advice of the climate resources committee in its review of the total funding levels and the percentage of funds allocated to the adaptation fund. The review would take into account resources generated by the share of proceeds from certified emission reductions issued in respect of clean development mechanism projects.

ANNEX

Share of total anthropogenic CO_2 emissions (1990) by Parties included in Annex I as the basis for estimating total financial contributions, as well as the adjusted share of CO_2 emissions by economies in transition[1]

Annex I (other than economies in transition)

Party	1990 emissions[2]	Percentage share
Australia	278,669	2.256
Austria	62,130	0.503
Belgium	113,997	0.923
Canada	465,755	3.770
Denmark	52,894	0.428
Finland	60,771	0.492
France	387,590	3.137
Germany	1,014,500	8.212
Greece	85,164	0.689
Iceland	2,147	0.017
Ireland	31,575	0.256
Italy	432,565	3.501
Japan	1,124,532	9.102
Liechtenstein	208	0.002
Luxembourg	12,750	0.103
Monaco	108	0.001
Netherlands	161,360	1.306
New Zealand	25,398	0.206
Norway	35,146	0.284
Portugal	43,132	0.349
Spain	226,057	1.830
Sweden	55,443	0.449
Switzerland	44,409	0.359
United Kingdom	584,220	4.729
United States of America	4,914,351	39.778
TOTAL		**82.68**

Annex I (economies in transition)

Party	1990 emissions	0.50*1990 emissions[3]	Percentage share
Bulgaria	103,856	51,928	0.420
Czech Republic	165,490	82,745	0.670
Estonia	37,797	18,898	0.153
Hungary	83,676	41,838	0.339
Latvia	24,771	12,386	0.100
Lithuania	39,535	19,768	0.160
Poland	476,625	238,313	1.929
Romania	194,826	97,413	0.788
Russian Federation	2,372,300	1,186,150	9.601
Slovakia	62,237	31,118	0.252
Slovenia	13,935	6,968	0.056
Ukraine	703,792	351,896	2.848
TOTAL			**17.32**

[1] Total anthropogenic CO_2 emissions excluding land-use change and forestry for 1990 (Source: FCCC/SBI/2000/11 table B-4).

[2] Parties included in Annex I, excluding those undergoing the process of transition to a market economy, shall make contributions to the fund proportional to their share of total CO_2 emissions in 1990.

[3] Those Parties included in Annex I undergoing the process of transition to a market economy shall make contributions to the fund proportional to 50 per cent of their share of total CO_2 emissions in 1990.

VIII. CLIMATE RESOURCES COMMITTEE

Draft decision -/CP.6

Climate resources committee

The Conference of the Parties,

Recalling that predictable and adequate levels of funding need to be made available to Parties not included in Annex I for the implementation of the United Nations Framework Convention on Climate Change,

Recommends to the Secretary-General of the United Nations that:

(a) A high-level climate resources committee be established in the context of the World Summit on Sustainable Development to be held in the year 2002;

(b) The tasks of the climate resources committee should include:

(i) Developing criteria for the review of climate change contributions;

(ii) Monitoring funding needs and availability;

(iii) Advising on the allocation of resources;

(iv) Determining whether agreed targets for funding have been achieved;

(v) Mobilizing additional resources, as needed;

(vi) Developing policy conclusions for consideration by existing financial channels and institutions;

(c) Membership of the committee should not exceed ten persons, and should include the President of the Conference of the Parties and ministers or senior officials responsible for national departments of finance, development cooperation or environment. Senior-level representatives of multilateral financial institutions and the private sector may be invited to participate as observers.

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UNITED NATIONS

Framework Convention on Climate Change

Distr.
GENERAL

FCCC/CP/2001/2/Add.2
11 June 2001

Original: ENGLISH

CONFERENCE OF THE PARTIES
Sixth session, part two
Bonn, 18-27 July 2001
Agenda items 4 and 7

REVIEW OF THE IMPLEMENTATION OF COMMITMENTS AND OF OTHER PROVISIONS OF THE CONVENTION

PREPARATIONS FOR THE FIRST SESSION OF THE CONFERENCE OF THE PARTIES SERVING AS THE MEETING OF THE PARTIES TO THE KYOTO PROTOCOL (DECISION 8/CP.4)

Consolidated negotiating text proposed by the President

Addendum

DECISIONS CONCERNING MECHANISMS PURSUANT TO ARTICLES 6, 12 AND 17 OF THE KYOTO PROTOCOL

GE.01-62348

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Draft decision -/CP.6 *(Mechanisms)*

Principles, nature and scope of the mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol

The Conference of the Parties,

Recalling its decision 1/CP.3, in particular paragraphs 5 (b), (c) and (e),

Further recalling its decisions 7/CP.4, 8/CP.4, 9/CP.4 and 14/CP.5, as appropriate,

Being guided by Articles 2 and 3 of the Convention,

Stressing that Parties included in Annex I are to meet their commitments under Article 3, paragraph 1, of the Kyoto Protocol chiefly through domestic action since 1990,

Emphasizing that the Parties included in Annex I shall implement and/or further elaborate policies and measures in accordance with national circumstances and with a view to reducing inequalities in per capita emissions between developed and developing country Parties,

Further emphasizing that environmental integrity is to be achieved through sound modalities, rules and guidelines for the mechanisms, strict principles and rules governing land-use, land-use change and forestry activities and a strong compliance regime,

Recognizing that Parties included in Annex I are to refrain from using nuclear facilities for generating emission reduction units and certified emission reductions,

Further recognizing that the Kyoto Protocol has not created or bestowed any right, title or entitlement to emissions of any kind on Parties included in Annex I which may affect the consideration of, or decision-making on, commitments for subsequent commitment periods,

Being aware of decisions -/CP.6 *(Article 6)*, -/CP.6 *(Article 12)*, -/CP.6 *(Article 17)*, -/CP.6 *(Compliance)* and -/CP.6 *(Modalities for accounting of assigned amounts)*,

1. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the following decision:

Decision -/CMP.1 (*Mechanisms*)

Principles, nature and scope of the mechanisms pursuant to Articles 6, 12 and 17 of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Recalling decision 1/CP.3, in particular paragraphs 5 (b), (c) and (e),

Further recalling decisions 7/CP.4, 8/CP.4, 9/CP.4, 14/CP.5, -/CP.6 *(Article 6)*, -/CP.6 *(Article 12)*, -/CP.6 *(Article 17)*, -/CP.6 *(Compliance)* and -/CP.6 *(Modalities for the accounting of assigned amounts)*, as appropriate,

Being guided by Articles 2 and 3 of the Convention,

Stressing that environmental integrity is to be achieved through sound modalities, rules and guidelines for the mechanisms, strict principles and rules governing land-use, land-use change and forestry activities and a strong compliance regime,

Recognizing that Parties included in Annex I are to refrain from using nuclear facilities for generating emission reduction units and certified emission reductions,

Further recognizing that the Kyoto Protocol has not created or bestowed any right, title or entitlement to emissions of any kind on Parties included in Annex I which may affect the consideration of, or decision-making on, commitments for subsequent commitment periods,

Being aware of its decisions -/CMP.1 *(Article 6)*, -/CMP.1 *(Article 12)* and -/CMP.1 *(Article 17)* and -/CMP.1 *(Modalities for accounting of assigned amounts)*,

1. *Decides* that Parties included in Annex I are to meet their commitments under Article 3, paragraph 1, of the Kyoto Protocol chiefly through domestic action since 1990;

2. *Further decides that* the Parties included in Annex I shall implement and/or further elaborate policies and measures in accordance with national circumstances and with a view to reducing inequalities in per capita emissions between developed and developing country Parties;

3. *Requests* the Parties included in Annex I to provide relevant qualitative and quantitative information in relation to operative paragraphs 1 and 2 above in accordance with Article 7 of the Kyoto Protocol, for review under its Article 8;

4. *Further requests* the facilitative branch of the compliance committee to address questions of implementation with respect to operative paragraphs 1 and 2 above;

5. *Decides* that provisions on the use of the mechanisms shall apply individually to the Parties acting under Article 4;

6. *Decides* that emission reduction units, certified emission reductions and assigned amount units under Articles 6, 12 and 17 of the Kyoto Protocol being used towards meeting commitments under Article 3, paragraph 1, can be added to and subtracted from the assigned amounts of Parties included in Annex I without altering their quantified emission limitation and reduction commitments as inscribed in Annex B. Emission reduction units, certified emission reductions and assigned amount units may be carried over to meet commitments in the subsequent commitment period.

Draft decision -/CP.6 *(Article 6)*

Guidelines for the implementation of Article 6 of the Kyoto Protocol

The Conference of the Parties,

Being aware of its decisions -/CP.6 *(Mechanisms)*, -/CP.6 *(Article 12)*, -/CP.6 *(Article 17)*, -/CP.6 *(Compliance)*, and -/CP.6 *(Modalities for the accounting of assigned amounts)*,

1. *Urges* the Parties included in Annex II to facilitate the participation in projects under Article 6 of Parties included in Annex I with commitments inscribed in Annex B that are undergoing the process of transition to a market economy;

2. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the following decision:

Decision -/CMP.1 *(Article 6)*

Guidelines for the implementation of Article 6 of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Being aware of its decisions -/CMP.1 *(Mechanisms)*, -/CMP.1 *(Article 12)*, -/CMP.1 *(Article 17)* and -/CMP.1 *(Modalities for accounting of assigned amounts)* and decision -/CP.6 *(Compliance)*,

1. *Decides* to confirm and give full effect to any actions taken pursuant to decision -/CP.6 *(Article 6)* and to any other relevant decisions by the Conference of the Parties, as appropriate;

2. *Decides* to adopt the guidelines for the implementation of Article 6 of the Kyoto Protocol contained in the annex below;

3. *Requests* the Subsidiary Body for Scientific and Technological Advice to prepare the appendices to the annex below, taking fully into account work from the executive board of the clean development mechanism, as appropriate, for the consideration of the Conference of the Parties;

4. *Decides* that projects under Article 6 aimed at enhancing anthropogenic removals by sinks shall conform to definitions, accounting rules, modalities and guidelines for Article 3, paragraphs 3 and 4, of the Kyoto Protocol;

5. *Decides* that projects starting as of the year 2000 may be eligible as Article 6 projects and may generate emission reduction units as of the year 2008 if they meet the requirements of the guidelines for the implementation of Article 6 of the Kyoto Protocol as set out in the annex below;

6. *Urges* the Parties included in Annex II to facilitate the participation in Article 6 projects of Parties included in Annex I with commitments inscribed in Annex B that are undergoing the process of transition to a market economy;

7. *Decides* that any administrative costs arising from procedures contained in the annex below shall be borne by the project participants according to specifications to be determined by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

8. *Decides further* that any future revision of the guidelines shall be decided in accordance with the rules of procedure of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol as applied. The first review shall be carried out no later than one year after the end of the first commitment period, based on recommendations by the Subsidiary Body for Implementation drawing on technical advice of the Subsidiary Body for Scientific and Technological Advice, as needed. Further reviews shall be carried out periodically thereafter. Revisions shall not affect ongoing Article 6 projects.

ANNEX

Guidelines for the implementation of Article 6 of the Kyoto Protocol

A. Definitions

1. For the purpose of this annex, the definitions contained in Article 1[1] and the provisions in Article 14 shall apply. Furthermore:

(a) An "emission reduction unit" or "ERU" is a unit issued pursuant to the relevant provisions on registries in decision -/CMP.1 *(Modalities for the accounting of assigned amounts)*, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(b) A "certified emission reduction" or "CER" is a unit issued pursuant to Article 12 and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(c) An "assigned amount unit" or "AAU" is a unit issued pursuant to the relevant provisions on registries in decision -/CMP.1 *(Modalities for the accounting of assigned amounts)*, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(d) "Stakeholders" means the public, including individuals, groups or communities affected or likely to be affected, by the project.

B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

2. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) shall provide guidance regarding the implementation of Article 6 and exercise authority over an Article 6 supervisory committee.

C. Article 6 supervisory committee

3. The Article 6 supervisory committee shall be established by the COP/MOP to supervise the verification of ERUs referred to in section E and be responsible for:

(a) Reporting on its activities to each session of the COP/MOP;

(b) The accreditation of independent entities in accordance with standards and procedures contained in Appendix A below;

(c) The elaboration of standards and procedures for the accreditation of independent entities in Appendix A below, for consideration by the COP/MOP, taking fully

[1] "Article" refers in this annex to an article of the Kyoto Protocol, unless otherwise specified.

into account relevant work of the executive board of the clean development mechanism (CDM);

(d) The elaboration of reporting guidelines and criteria for baselines, monitoring, and crediting periods in Appendix B below, for consideration by the COP/MOP, taking fully into account relevant work of the executive board of the CDM;

(e) The review procedure set out in paragraph 28;

(f) The elaboration of its rules of procedure, for consideration by the COP/MOP, taking fully into account those of the executive board of the CDM.

4. The Article 6 supervisory committee shall comprise ten members from Parties to the Kyoto Protocol, as follows:

(a) One member from each of the five United Nations regional groups plus one member to represent the small island developing States;

(b) Two other members from the Parties[2] included in Annex I;

(c) Two other members from the Parties not included in Annex I.

5. Members of the Article 6 supervisory committee shall be nominated by the relevant constituencies referred to in paragraph 4 and be elected by the COP/MOP. The COP/MOP shall elect five members for a term of two years and five members for a term of four years to the Article 6 supervisory committee. Every two years thereafter, the COP/MOP shall elect five new members for a term of four years.

6. Members of the Article 6 supervisory committee may be eligible to serve a maximum of two consecutive terms.

7. The Article 6 supervisory committee shall elect annually a chairperson and vice-chairperson from amongst its members, with one being from a Party included in Annex I and the other being from a Party not included in Annex I. The chairperson and vice-chairperson shall alternate annually between a member from a Party included in Annex I and member from a Party not included in Annex I.

8. The COP/MOP will elect an alternate member for each member of the Article 6 supervisory committee based on the criteria in paragraphs 4, 5 and 6 above.

9. The Article 6 supervisory committee shall meet at least two times each year, whenever possible in conjunction with the meetings of the subsidiary bodies, unless decided otherwise.

10. Members of the Article 6 supervisory committee shall:

(a) Serve in their personal capacities and shall have recognized competence relating to climate change issues and in relevant technical and policy fields;

(b) Have no pecuniary or financial interest in any aspect of any Article 6 project before the Article 6 supervisory committee;

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[2] In the context of this annex, "Party" refers to a Party to the Kyoto Protocol, unless otherwise specified.

(c) Not disclose any confidential information obtained by reason of their duties for the Article 6 supervisory committee. The duty of a member not to disclose confidential information constitutes an obligation in respect to that member and shall remain an obligation after the expiration or termination of that member's function on the Article 6 supervisory committee.

11. The Article 6 supervisory committee may suspend and recommend to the COP/MOP the termination of the membership of a particular member for cause, including *inter alia*, breach of the conflict of interest and breach of confidentiality provisions.

12. The adoption of decisions by the Article 6 supervisory committee shall require a quorum of at least three fourths of the members.

13. Decisions by the Article 6 supervisory committee shall be adopted by consensus. If all efforts at reaching a consensus have been exhausted and no agreement has been reached, decisions shall as a last resort be adopted by a three-fourths majority vote of the members present and voting at the meeting.

14. The secretariat shall be servicing the Article 6 supervisory committee.

D. Participation requirements

15. A Party involved in an Article 6 project shall inform the secretariat of:

(a) Its designated focal point for approving projects pursuant to Article 6, paragraph 1 (a);

(b) Its national guidelines and procedures for approving Article 6 projects, including the consideration of stakeholders' comments, as well as monitoring and verification.

16. A Party included in Annex I may issue, transfer and acquire ERUs, in accordance with the relevant provisions, if it is in compliance with the following requirements:

(a) It is a Party to the Kyoto Protocol;

(b) It is a Party to the "Agreement on Procedures and Mechanisms on Compliance supplementing the Kyoto Protocol to the United Nations Framework Convention on Climate Change";

(c) It has submitted its report to facilitate the establishment of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to demonstrate its capacity to account for its emissions and assigned amount, in accordance with the modalities for the accounting of assigned amount under Article 7, paragraph 4;

(d) It has submitted its annual inventory in accordance with Article 5, paragraph 2, incorporating the supplementary information under Article 7, paragraph 1, and the requirements in the guidelines thereunder, for each year following the submission of the report referred to in subparagraph (c).

17. A Party included in Annex I with a commitment inscribed in Annex B shall be considered to:

(a) Meet the eligibility requirements 16 months after it has submitted the report referred to paragraph 16 (c), unless the compliance committee finds, in accordance with decision -/CP.6 *(Compliance)*, that the Party does not meet these requirements, or, at an earlier date, if the compliance committee has decided that it is not proceeding with any questions of implementation relating to these requirements and has transmitted this information to the secretariat;

(b) Continue to meet the eligibility requirements unless and until the compliance committee decides that the Party does not meet one or more of the eligibility requirements, has suspended the Party from transferring and/or acquiring ERUs, CERs and AAUs and has transmitted this information to the secretariat.

18. Where it is considered to meet the eligibility requirements set out in paragraph 16 above, a host Party may verify reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks from an Article 6 project as being additional to any that would otherwise occur, in accordance with Article 6, paragraph 1 (b). Upon such verification, the host Party may issue the appropriate quantity of ERUs in accordance with the relevant provisions of decision -/CMP.1 *(Modalities for the accounting of assigned amounts)*.

19. Where a host Party does not meet the eligibility requirements set out in paragraph 16, the verification of reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks from an Article 6 project as being additional to any that would otherwise occur, in accordance with Article 6, paragraph 1 (b), shall occur through the verification procedure under the Article 6 supervisory committee, as set out in paragraphs 25 to 29. The host Party may however only issue and transfer ERUs upon meeting the requirements in paragraph 16.

20. A host Party which meets the requirements in paragraph 16 may at any time elect to use the verification procedure under the Article 6 supervisory committee.

21. The provisions in Article 6, paragraph 4, shall pertain, *inter alia*, to the requirements of paragraph 16.

22. The secretariat shall maintain a publicly accessible list of Parties that meet the eligibility requirements and that have been suspended in accordance with relevant provisions contained in decision -/CP.6 *(Compliance)*.

23. A Party hosting an Article 6 project shall make publicly available, directly or through the secretariat, information on the project in accordance with the reporting guidelines set out in Appendix B below and the requirements contained in decision -/CMP.1 *(Modalities for the accounting of assigned amounts)*.

24. A Party that authorizes legal entities to participate in Article 6 projects shall remain responsible for the fulfilment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with this annex. Legal entities may only participate in those activities under Article 6 in which the authorizing Party is eligible to participate at that time.

E. Verification procedure under the Article 6 supervisory committee

25. The verification procedure under the Article 6 supervisory committee is the determination by an independent entity, accredited pursuant to Appendix A below, of whether a project and the ensuing reductions anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks meet the relevant requirements of Article 6 and these guidelines.

26. Project participants shall submit to an accredited independent entity:

(a) A project design document that contains all information needed for the determination of whether the project has been approved by the Parties involved and has an appropriate baseline, monitoring plan and crediting period, in accordance with the criteria set out in Appendix B below;

(b) A report on reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks in accordance with the monitoring plan.

27. The accredited independent entity shall:

(a) Make the project design document publicly available through the secretariat, subject to confidentiality provisions set out in paragraph 29;

(b) Receive comments from Parties, stakeholders and UNFCCC accredited observers on the project design document and any supporting information for 30 days from the date the project design document is made publicly available;

(c) Determine whether the project has a baseline, monitoring plan and crediting period in accordance with the criteria set out in Appendix B below;

(d) Make its determination under subpragraph (c) publicly available through the secretariat, together with an explanation of its reasons, including a summary of comments received and a report of how due account was taken of these;

(e) Upon receipt of a report referred to under paragraph 26 (b), determine reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks reported by project participants in accordance with Appendix B below, provided that they were monitored and calculated in accordance with the baseline, monitoring plan and crediting period;

(f) Make its determination under subparagraph (e) publicly available through the secretariat, together with an explanation of its reasons.

28. A determination regarding a project design document or on reported reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks shall be deemed final 60 days after the date on which it is made public, unless a Party involved in the project or one fourth of the members of the Article 6 supervisory committee request a review by the Article 6 supervisory committee. If such a review is requested, the Article 6 supervisory committee shall review the determination as soon as possible, but no later than at the second meeting following the request for review. The Article 6 supervisory committee shall make its decision publicly available. Its decision shall be final.

29. Information obtained from project participants marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by COP/MOP. Information used to determine whether reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks are additional, to describe the baseline methodology and its application, and to support an environmental impact assessment shall not be considered as proprietary or confidential.

30. Any provisions relating to the commitment period reserve or other limitations to transfers under Article 17 shall not apply to transfers of ERUs that were verified in accordance with the verification procedure under the Article 6 supervisory committee.

APPENDIX A

Standards and procedures for the accreditation of independent entities

APPENDIX B

Reporting guidelines and criteria for baselines, monitoring and crediting periods

Draft decision -/CP.6 *(Article 12)*

Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol

The Conference of the Parties,

Recalling that in Article 12 of the Kyoto Protocol a clean development mechanism is defined with the purpose to assist Parties not included in Annex I to the Convention in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3 of the Kyoto Protocol,

Being aware of its decision -/CP.6 *(Mechanisms)*,

Bearing in mind the need to promote equitable geographic distribution of clean development mechanism project activities at regional and subregional levels,

Emphasizing that clean development mechanism project activities shall lead to the transfer of environmentally safe and sound technology in addition to that required under Article 4, paragraph 5, of the Convention and Article 10 of the Kyoto Protocol,

Further emphasizing that public funding for clean development mechanism project activities from Parties included in Annex I is not to result in a diversion of official development assistance and is to be separate from and not counted towards the financial obligations of Parties included in Annex I,

Recognizing the need for guidance to project participants and designated operational entities, in particular for establishing reliable, transparent baselines to assess whether clean development mechanism project activities are in accordance with the additionality criterion in Article 12, paragraph 5 (c), of the Kyoto Protocol, and whether similar projects are being implemented which would meet the technological and investment needs pursuant to the sustainable development priorities of the host Party,

1. *Decides* to facilitate the prompt start of a clean development mechanism by adopting the modalities and procedures contained in the annex below;

2. *Decides* that, for the purposes of this decision, the Conference of the Parties shall assume the responsibilities of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol as set out in the annex below on modalities and procedures, until the decision referred to in paragraph 17 is adopted by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

3. *Decides* that this decision shall remain in effect until the decision referred to in paragraph 17 is adopted by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

4. *Invites* nominations for membership in the executive board:

(a) For facilitating the prompt start of the clean development mechanism, from signatories to the Kyoto Protocol, to be submitted to the President of the Conference of the Parties prior to its seventh session, with a view to the Conference of the Parties electing the members of the executive board at that session; and

(b) Upon entry into force of the Kyoto Protocol, from Parties to the Kyoto Protocol, to be submitted to the President of the Conference of the Parties, prior to the first session of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, with a view to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol electing the members of the executive board at that session, in accordance with the modalities and procedures in the annex below;

5. *Decides* that, prior to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol adopting the decision referred to in paragraph 17, the executive board and any designated operational entities shall operate in the same manner as the executive board and designated operational entities of the clean development mechanism as set out in the annex below;

6. *Decides* that the executive board shall convene its first meeting immediately upon the election of its members;

7. *Decides* that the executive board shall include in its workplan until the eighth session of the Conference of the Parties, *inter alia*, the following tasks:

(a) Develop and agree on its rules of procedure and recommend them to the Conference of the Parties for adoption, applying draft rules until then;

(b) Accredit operational entities and designate them, on a provisional basis, pending the designation by the Conference of the Parties at its eighth session;

(c) Develop and adopt simplified modalities and procedures for small-scale clean development mechanism project activities which are, *inter alia*:

(i) Renewable energy project activities with a maximum output capacity equivalent of up to 15 megawatts (or an appropriate equivalent), or;

(ii) Energy efficiency improvement project activities which reduce useful energy consumption by up to the equivalent of five megawatts;

(d) Prepare recommendations on any relevant matter, including on Appendix C to the annex below, for consideration by the Conference of the Parties at its eighth session;

(e) Identify modalities for seeking collaboration with the Subsidiary Body for Scientific and Technological Advice on methodological and scientific issues;

8. *Decides* that land-use, land-use change and forestry projects implemented under the clean development mechanism, for the first commitment period, shall be limited to afforestation and reforestation and shall be subject to the modalities referred to in paragraph 9 and relevant decisions of the Conference of the Parties, until the decision referred to in

paragraph 17 is adopted by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

9. *Requests* the Subsidiary Body for Scientific and Technical Advice to draw on existing and, if necessary, further methodological and scientific work by experts from its roster and the Intergovernmental Panel on Climate Change to develop the modalities for including afforestation and reforestation projects under the clean development mechanism in the first commitment period, taking into account the issues of non-permanence, additionality, leakage, scale, uncertainties and socio-economic and environmental impacts, including impacts on biodiversity and natural ecosystems, and being guided by the principles in paragraphs 1, 3, 4 and 5 of decision -/CMP.1 *(LULUCF)*, with a view to a decision being taken by the Conference of the Parties at its eighth session;

10. *Decides* that projects starting as of the year 2000 may be eligible for validation and registration as clean development mechanism project activities and may obtain certified emission reductions as of the date of adoption of this decision if they meet the requirements of modalities and procedures as set out in the annex below;

11. *Requests* Parties included in Annex I to start implementing measures to assist Parties not included in Annex I, in particular the least developed and small island developing States amongst them, with building capacity in order to facilitate their participation in the clean development mechanism, taking into account relevant decisions by the Conference of the Parties on capacity-building and on the financial mechanism of the Convention;

12. *Decides* that the share of proceeds to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation, as referred to in Article 12, paragraph 8, of the Kyoto Protocol, shall be two per cent of the certified emission reductions issued for a clean development mechanism project activity and be allocated to the adaptation fund established by decision -/CP.6 *(Funding and resource levels)*. Clean development mechanism project activities in least developed country Parties shall be exempt from the share of proceeds to assist with the costs of adaptation;

13. *Decides* that the level of the share of proceeds to cover administrative expenses of the clean development mechanism shall be determined by the Conference of the Parties upon the recommendation of the executive board;

14. *Invites* Parties to finance the administrative expenses for operating the clean development mechanism by making contributions to the UNFCCC Trust fund for supplementary activities. Such contributions shall be reimbursed, if requested, in accordance with procedures and a timetable to be determined by the Conference of the Parties upon the recommendation of the executive board. Until the Conference of the Parties determines a percentage for the share of proceeds for the administrative expenses, the executive board shall charge a fee to recover any project related expenses;

15. *Requests* the secretariat to perform any functions assigned to it in this decision and the annex below;

16. *Decides*, until and unless the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol has adopted the decision referred to in paragraph 17, to assess progress made regarding the clean development mechanism and to take appropriate

action, as necessary. Any revision of the decision shall not affect clean development mechanism project activities already registered;

17. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the following decision:

Decision -/CMP.1 (*Article 12*)

Modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Recalling the provisions of Articles 3 and 12 of the Kyoto Protocol,

Bearing in mind that, in accordance with Article 12, the purpose of the clean development mechanism is to assist Parties not included in Annex I to the Convention in achieving sustainable development and in contributing to the ultimate objective of the Convention, and to assist Parties included in Annex I in achieving compliance with their quantified emission limitation and reduction commitments under Article 3 of the Kyoto Protocol,

Being aware of its decisions -/CMP.1 *(Mechanisms)*, -/CMP.1 *(Article 6)*, -/CMP.1 *(Article 17)* and -/CMP.1 *(Modalities for accounting of assigned amounts)* and decision -/CP.6 *(Compliance)*,

Cognizant of decision -/CP.6 on modalities and procedures for a clean development mechanism as defined in Article 12 of the Kyoto Protocol,

1. *Decides* to confirm and give full effect to any actions taken pursuant to decision -/CP.6 *(Article 12)* and to any other relevant decisions by the Conference of the Parties, as appropriate;

2. *Adopts* the modalities and procedures for a clean development mechanism contained in the annex below;

3. *Invites* the executive board to review the project categories in decision -/CP.6 *(Article 12)*, paragraph 7 (c) and, if necessary, recommend additional categories to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol;

4. *Decides further* that any future revision of the modalities and procedures for a clean development mechanism shall be decided in accordance with the rules of procedure of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol as applied. The first review shall be carried out no later than one year after the end of the first commitment period, based on recommendations by the Subsidiary Body for Implementation drawing on technical advice by the Subsidiary Body for Scientific and Technological Advice, as needed. Further reviews shall be carried out periodically thereafter. Any revision of the decision shall not affect clean development mechanism project activities already registered.

ANNEX

Modalities and procedures for a clean development mechanism

A. Definitions

1. For the purpose of this annex, the definitions contained in Article 1[1] and the provisions in Article 14 shall apply. Furthermore:

(a) An "emission reduction unit" or "ERU" is a unit issued pursuant to the relevant provisions on registries in decision -/CMP.1 *(Modalities for the accounting of assigned amounts)*, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(b) A "certified emission reduction" or "CER" is a unit issued pursuant to Article 12 and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(c) An "assigned amount unit" or "AAU" is a unit issued pursuant to the relevant provisions on registries in decision -/CMP.1 *(Modalities for the accounting of assigned amounts)*, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(d) "Stakeholders" means the public, including individuals, groups or communities affected, or likely to be affected, by the proposed clean development mechanism project activity.

B. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

2. The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) shall have authority over and provide guidance to the clean development mechanism (CDM).

3. The COP/MOP shall consider the annual reports of, and provide guidance to, the executive board, by taking decisions on:

(a) The rules of procedure for the executive board;

(b) The recommendations made by the executive board, in accordance with provisions of decision -/CP.6 *(Article 12)* and this annex;

(c) The designation of operational entities accredited by the executive board in accordance with Article 12, paragraph 5 and accreditation standards contained in Appendix A below.

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[1] "Article" refers in this annex to an article of the Kyoto Protocol, unless otherwise specified.

4. The COP/MOP shall further:

(a) Review the regional and subregional distribution of designated operational entities and take appropriate decisions to promote accreditation of such entities from developing country Parties;

(b) Review the regional and subregional distribution of CDM project activities with a view to identifying systematic barriers to their equitable distribution and take appropriate decisions, based, *inter alia*, on a report by the executive board;

(c) Assist in arranging funding of CDM project activities, as necessary.

C. Executive board

5. The executive board shall supervise the CDM, under the authority and guidance of the COP/MOP, and be fully accountable to the COP/MOP. In this context, the executive board shall:

(a) Make recommendations to the COP/MOP on the rules of procedure for the executive board;

(b) Report on its activities to each session of the COP/MOP;

(c) Make recommendations to the COP/MOP on further modalities and procedures for the CDM, as appropriate;

(d) Review provisions with regard to simplified modalities and procedures for small-scale CDM project activities and make recommendations to the COP/MOP;

(e) Be responsible for the accreditation of operational entities, in accordance with accreditation standards contained in Appendix A below, and make recommendations to the COP/MOP for the designation of operational entities, in accordance with Article 12, paragraph 5;

(f) Review and revise the accreditation standards in Appendix A below, as appropriate;

(g) Report to the COP/MOP on the regional and subregional distribution of CDM project activities with a view to identifying systemic barriers to their equitable distribution;

(h) Make publicly available relevant information, submitted to it for this purpose, on proposed CDM project activities in need of funding and on investors seeking opportunities, in order to assist in arranging funding of CDM project activities, as necessary;

(i) Approve new methodologies and guidelines related to, *inter alia*, baselines, monitoring plans and project boundaries in accordance with provisions of Appendix C below;

(j) Maintain and make publicly available a repository of approved rules, procedures, methodologies and standards;

(k) Develop and maintain the CDM registry as defined in Appendix D below;

(l) Develop and maintain a publicly available database of CDM project activities containing information on registered project design documents, comments received, verification reports, its decisions as well as on all CERs issued;

(m) Address issues related to the adherence to the modalities and procedures for a CDM in this annex, except for those in paragraph 30 and 31;

(n) Carry out any other functions ascribed to it in decision -/CP.6 *(Article 12)*, this annex and relevant decisions of the COP/MOP.

6. Information obtained from CDM project participants marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by COP/MOP. Information used to determine additionality as defined in paragraph 41, to describe the baseline methodology and its application, and to support an environmental impact assessment, referred to in paragraph 35 (c), shall not be considered as proprietary or confidential;

7. The executive board shall comprise ten members from Parties to the Kyoto Protocol, as follows:

(a) One member from each of the five United Nations regional groups plus one member to represent the small island developing States;

(b) Two other members from the Parties[2] included in Annex I;

(c) Two other members from the Parties not included in Annex I.

8. Members of the executive board shall:

(a) Be nominated by the relevant constituencies referred to in paragraph 7 and elected by the COP/MOP. Vacancies shall be filled in the same way;

(b) Be elected for a period of four years and be eligible to serve a maximum of two consecutive terms. Five members shall be elected initially for a term of two years and five members for a term of four years. Every two years thereafter, the COP/MOP shall elect five new members for a term of four years. Appointment pursuant to paragraph 10 shall count as one term. The members shall remain in office until their successors are elected;

(c) Possess appropriate technical and/or policy expertise and shall act in their personal capacity. The cost of participation of members from developing country Parties shall be covered by the budget for the executive board;

(d) Be bound by the rules of procedure of the executive board;

(e) Take a written oath of service witnessed by the Secretary-General of the United Nations or his/her authorized representative before assuming his or her duties;

(f) Have no pecuniary or financial interest in any aspect of a CDM project activity;

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[2] In the context of this annex, "Party" refers to a Party to the Kyoto Protocol, unless otherwise specified

(g) Subject to their responsibilities to the executive board, not disclose any confidential or proprietary information coming to their knowledge by reason of their duties for the executive board. The duty of the member not to disclose confidential information constitutes an obligation in respect of that member and shall remain an obligation after the expiration or termination of that member's function for the executive board.

9. The executive board may suspend and recommend to the COP/MOP the termination of the membership of a particular member for cause including, *inter alia*, breach of the conflict of interest provisions, breach of the confidentiality provisions, or failure to attend two consecutive meetings of the executive board without proper justification.

10. If a member of the executive board resigns or is otherwise unable to complete the assigned term of office or to perform the functions of that office, the executive board may decide, bearing in mind the proximity of the next session of the COP/MOP, to appoint another member to replace the said member for the remainder of that member's mandate. In such a case, the executive board shall take into account any views expressed by the group that had nominated the member.

11. The executive board shall elect its own chair and vice-chair, with one being a member from a Party included in Annex I and the other being from a Party not included in Annex I. The chair and vice-chair shall alternate annually between members from Parties included and Parties not included in Annex I, respectively.

12. The executive board shall meet as necessary but no less than three times a year, unless otherwise decided, bearing in mind provisions of paragraph 39.

13. At least two thirds of the members of the executive board, representing a majority of members from Parties included in Annex I and a majority of members from Parties not included in Annex I, must be present to constitute a quorum.

14. Decisions by the executive board shall be taken by consensus, whenever possible. If all efforts at reaching a consensus have been exhausted, and no agreement reached, decisions shall be taken by a three-fourths majority of the members present and voting at the meeting. Members abstaining from voting shall be considered as not voting.

15. Meetings of the executive board shall be open to attendance, as observers, by all Parties and by all UNFCCC accredited observers except where otherwise decided by the executive board.

16. The full text of all decisions of the executive board shall be made publicly available. The working language of the executive board shall be English. Decisions shall be made available in all six official languages of the United Nations.

17. The executive board may establish committees, panels or working groups to assist in the performance of its functions. The executive board shall draw on the expertise necessary to perform its functions, including from the UNFCCC roster of experts. In this context, it shall take fully into account the consideration of regional balance.

18. The secretariat shall service the executive board.

D. Accreditation and designation of operational entities

19. The executive board shall:

(a) Accredit operational entities which meet the accreditation standards contained in Appendix A below;

(b) Recommend the designation of operational entities to the COP/MOP;

(c) Maintain a publicly available list of all designated operational entities;

(d) Review whether each designated operational entity continues to comply with the accreditation standards contained in Appendix A below and on this basis confirm whether to reaccredit each operational entity every three years;

(e) Conduct spot-checking at any time and, on the basis of the results, decide to conduct the above-mentioned review, if warranted.

20. The executive board may recommend to the COP/MOP to suspend or withdraw the designation of a designated operational entity if it has carried out an assessment and found that the entity no longer meets the accreditation standards or applicable provisions in decisions of the COP/MOP. The executive board may recommend the suspension or withdrawal of designation only after the designated operational entity has had the possibility of a hearing. The suspension or withdrawal is with immediate effect, on a provisional basis, once the executive board has made a recommendation, and remains in effect pending a final decision by the COP/MOP. The affected entity shall be notified, immediately and in writing, once the executive board has recommended its suspension or withdrawal. The recommendation by the executive board and the decision by the COP/MOP on such a case shall be made public.

21. Registered project activities shall not be affected by the suspension or withdrawal of designation of a designated operational entity unless significant deficiencies are identified in the relevant validation report, verification report or certification for which the entity was responsible. In this case, the executive board shall decide whether a different designated operational entity shall be appointed to assess and, where appropriate correct, such deficiencies. If such an assessment reveals that excess CERs were issued, the designated operational entity whose accreditation has been withdrawn or suspended shall effect, within 30 days of the assessment, a transfer of a quantity of AAUs, ERUs or CERs equal to the excess CERs issued, as determined by the executive board, to a cancellation account maintained in the CDM registry by the executive board.

22. Any suspension or withdrawal of a designated operational entity that adversely affects registered project activities shall be recommended by the executive board only after the affected project participants have had the possibility of a hearing.

23. Any costs related to the assessment, referred to in paragraph 21, shall be borne by the designated operational entity whose designation has been withdrawn or suspended.

24. The executive board may seek assistance in performing the functions in paragraph 19, in accordance with the provisions of paragraph 17.

E. Designated operational entities

25. Designated operational entities shall be accountable to the COP/MOP through the executive board and shall comply with the modalities and procedures in decision -/CP.6 *(Article 12)* and this annex, and relevant decisions of the COP/MOP and the executive board.

26. A designated operational entity shall:

(a) Validate proposed CDM project activities;

(b) Verify and certify reductions in anthropogenic emissions by sources and enhancements of anthropogenic removals by sinks of greenhouse gases from eligible CDM project activities, as determined by decision -/CP.6 *(Article 12)* and relevant decisions by the COP/MOP;

(c) Comply with applicable laws of the Parties hosting CDM project activities related to which it carries out validation or verification and certification functions;

(d) Demonstrate that it, and its subcontractors, have no real or potential conflict of interest with the participants in the CDM project activities for which it has been selected to carry out validation or verification and certification functions;

(e) Perform one of the following functions related to a given CDM project activity: validation or verification and certification. Upon request, the executive board may, however, allow a single designated operational entity to perform all these functions within a single CDM project activity;

(f) Maintain a publicly available list of all CDM project activities related to which it carried out validation, verification and certification;

(g) Submit an annual activity report to the executive board;

(h) Make information obtained from CDM project participants publicly available, as required by the executive board. Information marked as proprietary or confidential shall not be disclosed without the written consent of the provider of the information, except as required by the COP/MOP. Information used to determine additionality as defined in paragraph 41, to describe the baseline methodology and its application and to support an environmental impact assessment referred to in paragraph 35 (c) shall not be considered as proprietary or confidential.

F. Participation requirements

27. Participation in a CDM project activity is voluntary.

28. Parties participating in the CDM shall designate a national authority for the CDM.

29. A Party not included in Annex I may participate in a CDM project activity if it is a Party to the Kyoto Protocol.

30. A Party included in Annex I may use CERs, issued in accordance with the relevant provisions, to contribute to compliance with part of its commitment under Article 3, paragraph 1, if it is in compliance with the following requirements:

(a) It is a Party to the Kyoto Protocol;

(b) It is a Party to the "Agreement on Procedures and Mechanisms on Compliance supplementing the Kyoto Protocol to the United Nations Framework Convention on Climate Change";

(c) It has submitted its report to facilitate the establishment of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to demonstrate its capacity to account for its emissions and assigned amount, in accordance with the modalities for the accounting of assigned amount under Article 7, paragraph 4;

(d) It has submitted its annual inventory in accordance with Article 5, paragraph 2, incorporating the supplementary information under Article 7, paragraph 1, and the requirements in the guidelines thereunder, for each year following the submission of the report referred to in subparagraph (c).

31. A Party included in Annex I with a commitment inscribed in Annex B shall be considered to:

(a) Meet the eligibility requirements 16 months after it has submitted the report referred to paragraph 30 (c), unless the compliance committee finds, in accordance with decision -/CP.6 *(Compliance)*, that the Party does not meet these requirements, or, at an earlier date, if the compliance committee has decided that it is not proceeding with any questions of implementation relating to these requirements and has transmitted this information to the secretariat;

(b) Continue to meet the eligibility requirements unless and until the compliance committee decides that the Party does not meet one or more of the eligibility requirements, has suspended the Party from transferring and/or acquiring ERUs, CERs and AAUs and has transmitted this information to the secretariat.

32. The secretariat shall maintain publicly accessible lists of:

(a) Parties not included in Annex I which are Parties to the Kyoto Protocol;

(b) Parties included in Annex I that do not meet the participation requirements in paragraph 30 or have been suspended.

G. Validation and registration

33. Validation is the process of independent evaluation of a project activity by a designated operational entity against the requirements of the CDM as set out in decision -/CP.6 *(Article 12)* and this annex, on the basis of the project design document, as outlined in Appendix B below.

34. Registration is the formal acceptance by the executive board of a validated project as a CDM project activity. Registration is the prerequisite for the verification, certification and issuance of CERs related to that project activity.

35. The designated operational entity selected by project participants to validate a project activity, being under a contractual arrangement with them, shall review the project design document and any supporting documentation to confirm that the following requirements are met:

(a) The participation requirements as set out in paragraphs 27 to 29 are satisfied;

(b) Comments by stakeholders have been considered;

(c) The project activity has undergone an appropriate environmental impact assessment;

(d) The project activity is expected to result in a reduction in anthropogenic emissions by sources or an enhancement in anthropogenic removals by sinks of greenhouse gases from eligible CDM project activities, as determined in accordance with decision -/CP.6 *(Article 12)* and relevant decisions by the COP/MOP, that are additional to any that would occur in the absence of the proposed project activity, in accordance with paragraphs 41 to 50;

(e) The baseline methodology and monitoring plan comply with requirements pertaining to:

(i) Methodologies previously approved by the executive board; or

(ii) Modalities and procedures for establishing a new methodology;

(f) Provisions for monitoring, verification and reporting are in accordance with decision -/CP.6 *(Article 12)* and this annex;

(g) The project activity conforms to all other requirements for CDM project activities in decision -/CP.6 *(Article 12)* and this annex, and relevant decisions by the COP/MOP and by the executive board.

36. If the designated operational entity determines that the project activity intends to use a new methodology, as referred to in paragraph 35 (e) (ii), it shall, prior to a submission for registration of this project activity, forward the proposed methodology to the executive board for review. The executive board shall expeditiously, if possible within three months, review a proposed new methodology. Whenever the executive board approves such a methodology, it shall make it publicly available along with any relevant guidance. Once such a methodology has been approved by the executive board, the designated operational entity may proceed with the validation of the project activity.

37. A revision of a methodology shall be carried out in accordance with procedures for approving new baselines and monitoring plans. Any revision to an approved methodology shall only be applicable to baselines and monitoring plans registered subsequent to the date of revision and shall not affect existing registered projects activities during their crediting periods.

38. The designated operational entity shall:

(a) In accordance with provisions on confidentiality contained in paragraph 26 (h), make publicly available the project design document;

(b) Receive, within 30 days, comments from Parties and UNFCCC accredited non-governmental organizations and make them publicly available;

(c) After the deadline for receipt of comments, make a determination as to whether, on the basis of the information provided and taking into account the comments received, the project activity should be validated;

(d) Inform project participants if it determines that the project design, as documented, does not fulfil the requirements for validation, and explain the reasons for non-acceptance;

(e) Prior to the submission of the validation report to the executive board, have received from the project participants a formal letter of approval from the designated national authority of the host Party, including confirmation that the project activity assists the host Party in achieving sustainable development;

(f) Submit to the executive board, if it determines the proposed project activity to be valid, a request for registration including the validated project design document and an explanation how it has taken due account of comments received. The request for registration shall be made in the form of a validation report;

(g) Make this validation report publicly available.

39. The registration by the executive board shall be deemed final 30 days after the date of receipt by the executive board of the request for registration, unless a Party involved in the project activity, or at least one fourth of the members of the executive board request a review of the proposed CDM project activity. Such a review shall be made in accordance with the following provisions:

(a) Be related to issues associated with the applicability of the baseline methodology to the project activity, the adequacy of the monitoring plan, transboundary environmental and social impacts;

(b) Be finalized no later than at the second meeting following the request for review, with the result and the reasons being communicated to the project participants and the public.

40. A proposed project activity that is not accepted may be reconsidered for validation and subsequent registration, after appropriate revisions, provided that it follows procedures and meets requirements for validation and registration, including those related to public comments.

41. A CDM project activity is additional if anthropogenic emissions of greenhouse gases by sources are reduced below, or anthropogenic removals of greenhouse gases by sinks are increased beyond, those that would have occurred in the absence of the registered CDM project activity, from eligible CDM project activities, as determined by decision -/CP.6

(Article 12) and relevant decisions by the COP/MOP. Project participants shall address whether similar projects are being implemented which would meet the technological and investment needs pursuant to the sustainable development priorities of the host Party.

42. The baseline for a CDM project activity is the scenario that reasonably represents the anthropogenic emissions by sources or anthropogenic removals by sinks of greenhouse gases that would occur in the absence of the proposed project activity. A baseline shall cover emissions from all gases, sectors and source categories listed in Annex A and anthropogenic removals by sinks within the project boundary. A baseline shall be deemed to reasonably represent the anthropogenic emissions by sources or anthropogenic removals by sinks that would occur in the absence of the proposed project activity if it is derived using a baseline methodology referred to in paragraphs 35 and 36.

43. A baseline shall be established:

(a) By project participants in accordance with provisions for the use of approved and new methodologies, contained in decision -/CP.6 *(Article 12)* and this annex;

(b) In a transparent manner regarding the choice of approaches, assumptions, methodologies, parameters, data sources, key factors and additionality;

(c) On a project-specific basis;

(d) In accordance with standardized procedures, developed by the executive board, for small-scale CDM project activities meeting the criteria specified in decision -/CP.6 *(Article 12)* and relevant decisions by the COP/MOP;

(e) Taking into account relevant national and/or sectoral policies and circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the project sector.

44. The baseline may include a scenario where future anthropogenic emissions by sources are projected to rise above current levels, due to the specific circumstances of the host Party.

45. The baseline shall be defined in a way that CERs cannot be earned for decreases in activity levels due to *force majeure*.

46. In choosing a baseline methodology for a project activity, project participants shall select from among the following approaches the one deemed most appropriate for the project activity, taking into account any guidance by the executive board, and justify their choice:

(a) Existing actual or historical emissions, as applicable; or

(b) Emissions from a technology that represents an economically attractive course of action, taking into account barriers to investment; or

(c) The average emission or removal rates of similar projects activities undertaken in the previous five years, in similar social, economic, environmental and technological circumstances, and whose performance is among the top 20 percent of their category.

47. The crediting period of a CDM project activity shall be limited to five years, except for small-scale CDM project activities meeting the criteria specified in decision -/CP.6

(Article 12) for which it may extend for up to ten years. The crediting period may be renewed by the project participants, provided that a designated operational entity determines and informs the executive board that the project activity continues to satisfy the original baseline criteria.

48. Reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks shall be adjusted for leakage in accordance with the monitoring and verification provisions in paragraphs 57 and 60 (e) respectively.

49. Leakage is defined as the net change of anthropogenic emissions by sources or anthropogenic removals by sinks of greenhouse gases which occurs outside the project boundary, and that is measurable and attributable to the CDM project activity.

50. The project boundary shall encompass all anthropogenic emissions by sources and/or anthropogenic removals by sinks of greenhouse gases under the control of the project participants that are significant and reasonably attributable to the CDM project activity.

H. Monitoring

51. Project participants shall include, as part of the project design document, a monitoring plan that provides for:

(a) The collection and archiving of all relevant data necessary for estimating or measuring anthropogenic emissions by sources and/or anthropogenic removals by sinks of greenhouse gases occurring within the project boundary during the crediting period;

(b) The collection and archiving of all relevant data necessary for determining the baseline of anthropogenic emissions by sources and/or anthropogenic removals by sinks of greenhouse gases within the project boundary during the crediting period;

(c) The identification of all potential sources of, and the collection and archiving of data on, increased anthropogenic emissions by sources and/or reduced anthropogenic removals by sinks of greenhouse gases outside the project boundary that are significant and reasonably attributable to the project activity during the crediting period;

(d) The collection and archiving of information relevant to the assessment of environmental impacts;

(e) Quality assurance and control procedures for the monitoring process;

(f) Procedures for the periodic calculation of the reductions of anthropogenic emissions by sources and/or enhancements of anthropogenic removals by sinks by the proposed CDM project activity, and for leakage effects;

(g) Documentation of all steps involved in the calculations referred to in subparagraphs (c) and (f) above.

52. A monitoring plan for a proposed project activity shall be based on a previously approved monitoring methodology or a new methodology, in accordance with paragraphs 35 and 36 above that:

(a) Is determined by the designated operational entity as appropriate to the circumstances of the proposed project activity and has been successfully applied elsewhere;

(b) Reflects good monitoring practice, i.e. its performance is at least equivalent to the most cost-effective, commercially applied monitoring methodologies appropriate to the circumstances.

53. For small-scale CDM project activities meeting the criteria specified in decision -/CP.6 *(Article 12)* and relevant decisions by the COP/MOP, project participants may use simplified monitoring methodologies approved by the executive board in accordance with paragraphs 35 and 36.

54. Project participants shall implement the monitoring plan contained in the registered project design document.

55. Revisions to the monitoring plan, in accordance with paragraph 37, require justification by project participants that the revisions improve the accuracy and/or completeness of information.

56. The implementation of the registered monitoring plan and its approved revisions, as applicable, shall be a condition for verification, certification and the issuance of CERs.

57. Subsequent to the monitoring and reporting of reductions in anthropogenic emissions and/or enhancements of anthropogenic removals by sinks, CERs of a CDM project activity during a given period shall be calculated, applying the registered methodology, in the following manner, as applicable:

(a) Baseline emissions less the actual anthropogenic emissions by sources adjusted for leakage;

(b) Actual anthropogenic removals by sinks less baseline removals by sinks adjusted for leakage.

58. The project participants shall provide to the designated operational entity, contracted by the project participants to perform the verification, a monitoring report in accordance with the registered monitoring plan set out in paragraph 51.

I. Verification and certification

59. Verification is the periodic independent review and *ex post* determination by the designated operational entity of the monitored reductions in anthropogenic emissions by sources and/or the monitored enhancements of anthropogenic removals by sinks of greenhouse gases that have occurred as a result of a registered CDM project activity during the verification period. Certification is the written assurance by the designated operational entity that, during a specified time period, a project activity achieved the reductions in anthropogenic emissions by sources and/or enhancements of anthropogenic removals by sinks of greenhouse gases as verified.

60. In accordance with the provisions on confidentiality in paragraph 26 (h), the designated operational entity contracted by the project participants to perform the verification shall make the monitoring report publicly available and:

(a) Determine whether the project documentation provided is in accordance with the requirements of the registered project design document and relevant provisions of decision -/CP.6 *(Article 12)* and this annex;

(b) Conduct on-site inspections, as appropriate, which shall comprise, *inter alia*, a review of performance records, interviews with project participants and local stakeholders, and may comprise collection of measurements, observation of established practices and testing of the accuracy of monitoring equipment;

(c) If appropriate, use additional data from other sources;

(d) Review monitoring results and verify that the monitoring methodologies for the estimation of reductions in anthropogenic emissions by sources or enhancements of anthropogenic removals by sinks have been applied correctly and their documentation is complete and transparent;

(e) Determine the reductions in anthropogenic emissions by sources and or enhancements of anthropogenic removals by sinks of greenhouse gases that would not have occurred otherwise, based on the data and information derived under subparagraph (a) and obtained under subparagraphs (b) and or (c), as appropriate, using calculation procedures consistent with those contained in the registered project design document and in the monitoring plan;

(f) Identify and inform the project participants of any concerns related to the conformity of the actual project activity and its operation with the registered project design document. Project participants may address the concerns and supply relevant additional information;

(g) Recommend to the project participants appropriate changes to the monitoring methodology, if necessary;

(h) Provide a verification report to the project participants, the Parties involved and the executive board. The report shall be made publicly available.

61. The designated operational entity shall, based on its verification report, certify in writing that, during the specified time period, the project activity achieved the verified amount of reductions in anthropogenic emissions by sources and or enhancements of anthropogenic removals by sinks of greenhouse gases that would not have occurred otherwise. It shall inform the project participants, Parties involved and the executive board of its certification decision in writing immediately upon completion of the certification process and make the certification report publicly available.

J. Issuance of certified emission reductions

62. The certification report shall constitute a request for issuance to the executive board of CERs equal to the verified amount of reductions of anthropogenic emissions by sources and/or enhancements of anthropogenic removals by sinks of greenhouse gases.

63. The issuance shall be considered final 15 days after the date of receipt of the request for issuance, unless a Party involved in the project activity, or at least one fourth of the members of the executive board request a review of the proposed CDM project activity. Such a review shall be limited to issues of fraud, malfeasance or incompetence of the designated operational entities and be conducted as follows:

(a) Upon receipt of a request for such a review, the executive board, at its next meeting, shall decide on its course of action. If it decides that the request has merit it shall perform a review and decide whether the proposed issuance of CERs should be approved;

(b) The executive board shall complete its review within 30 days following its decision to perform the review;

(c) The executive board shall inform the project participants of the outcome of the review, and make public its decision regarding the approval of the proposed issuance of CERs and the reasons for it.

64. Upon being instructed by the executive board to issue CERs for a CDM project activity, the CDM registry administrator, working under the authority of the executive board, shall issue the specified quantity of CERs into the pending account of the executive board in the CDM registry, in accordance with Appendix D below. Upon such issuance, the CDM registry administrator shall:

(a) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation, respectively, in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for the management of the share of proceeds;

(b) Forward the remaining CERs to the registry accounts of Parties and project participants involved, as specified by their distribution agreement.

APPENDIX A

Standards for the accreditation of operational entities

1. An operational entity shall:

(a) Be a legal entity (either a domestic legal entity or an international organization) and provide documentation of this status to the executive board;

(b) Employ a sufficient number of persons having the necessary competence to perform validation, verification and certification functions relating to the type, range and volume of work performed, under a responsible senior executive;

(c) Have the financial stability, insurance coverage and resources required for its activities;

(d) Have sufficient arrangements to cover legal and financial liabilities arising from its activities;

(e) Have documented internal procedures for carrying out its functions including, among others, procedures for the allocation of responsibility within the organization and for handling complaints; these procedures shall be made publicly available;

(f) Have the necessary expertise to carry out the functions specified in this and relevant decisions by the COP/MOP, in particular have sufficient knowledge and understanding of:

(i) The modalities and procedures and guidelines for the operation of the CDM, relevant decisions of the COP/MOP of the executive board;

(ii) Environmental issues relevant to validation, verification and certification of CDM projects;

(iii) The technical aspects of CDM activity relevant to environmental issues, including expertise in the setting of baselines and monitoring of emissions and other environmental impacts;

(iv) Relevant environmental auditing requirements and methodologies;

(v) Methodologies for accounting of anthropogenic emissions by sources and/or anthropogenic removals by sinks;

(g) Have a management structure that has overall responsibility for performance and implementation of the entity's functions, including management reviews, and decisions on validation, verification and certification. The applicant operational entity shall make available to the executive board:

(i) The names, qualifications, experience and terms of reference of the senior executive, board members, senior officers and other personnel;

(ii) A structure chart showing lines of authority, responsibility and allocation of functions stemming from the senior executive;

(iii) Its policy and procedures for conducting management reviews;

(iv) Administrative procedures including documents control;

(v) Its policy and procedures for the recruitment and training of operational entity personnel, for ensuring their competence for validation, verification and certification functions, and for monitoring their performance;

(vi) Its procedures for handling complaints, appeals and disputes;

(h) Not have pending any judicial process for malpractice, fraud and/or other activity incompatible with its functions as a designated operational entity.

2. An applicant operational entity shall meet the following operational requirements:

(a) Work in a credible, independent, non-discriminatory and transparent manner, complying with applicable national law and meeting, in particular, the following requirements:

(i) An applicant operational entity shall have a documented structure, which safeguards impartiality, including provisions to ensure impartiality of its operations;

(ii) If it is part of a larger organization, and where parts of that organization are, or may become, involved in the identification, development or financing of any CDM project activity, the applicant operational entity shall:

- Make a declaration to the executive board of all the organization's actual and potential CDM activities, indicating which part of the organization is involved and in which particular CDM activities;

- Clearly define to the executive board the links with other parts of the organization, demonstrating that no conflicts of interest exist;

- Demonstrate to the executive board that no actual or potential conflict of interest exists between its functions as an operational entity and any other functions that it may have, and demonstrate how business is managed to minimize any identified risk to impartiality. The demonstration shall cover all potential sources of conflict of interest, whether they arise from within the applicant operational entity or from the activities of related bodies;

- Demonstrate to the executive board that it, together with its senior executive and staff, is not involved in any commercial, financial and other processes which might influence its judgement or endanger trust in its independence of judgement

and integrity in relation to its activities, and that it complies with any rules applicable in this respect;

(b) Have adequate arrangements to safeguard confidentiality of the information obtained from CDM project participants in accordance with provisions contained in this annex.

APPENDIX B

Project design document

A project activity shall be described in detail in a project design document which shall include the following:

(a) A description of the project, comprising the project purpose, a technical description of the project, and a description of project boundaries;

(b) Proposed baseline methodology:

(i) Application of an approved methodology:

- Standardized
- Other

(ii) New methodology:

- Description of the baseline calculation methodology and justification of choice;
- Justification of estimated operational life of the project and proposed crediting period;
- Description of key parameters, data sources and assumptions used in the baseline estimate, and assessment of uncertainties;
- Projection of baseline emissions and emission reductions by year;
- Description of how the baseline methodology addresses potential leakage;
- In the case of a new baseline methodology, an assessment of its strengths and weaknesses;

(c) Explanation of how the project activity meets the additionality requirements;

(d) Documentation of the environmental impact assessment;

(e) Sources of financing and demonstration that the funding is additional;

(f) Comments, observations and/or suggestions by local stakeholders and description of their involvement;

(g) Monitoring plan:

(i) Identification of data needs and data quality with regard to accuracy, comparability, completeness and validity;

(ii) Methodologies to be used for data collection and monitoring including quality assurance and quality control provisions for the monitoring, collecting and reporting;

(h) Proposed formula for the calculation of:

(i) Anthropogenic emissions by sources and anthropogenic removals by sinks that are significant and reasonably attributable to the project activity within the project boundary;

(ii) Anthropogenic emissions by sources and anthropogenic removals by sinks that are significant and reasonably attributable to the project activity outside the project boundary and within the geographic area of the registered baseline scenario;

(iii) The total anthropogenic emissions by sources and anthropogenic removals by sinks under subparagraphs (h) (i) and (h) (ii) above;

(iv) Comparison of the total anthropogenic emissions by sources and total anthropogenic removals by sinks attributable to the project activity, calculated using the approved methodology within the geographic area of the registered baselines scenario;

(v) Any additional factor required by the executive board to account for changes in anthropogenic emissions by sources that are reasonably attributable to the project activity but outside the geographic area of the registered baseline scenario;

(vi) Reductions in anthropogenic emissions and enhancements in anthropogenic removals during the specified period, in accordance with paragraph 57 of this annex;

(i) References.

APPENDIX C

Terms of reference for establishing guidelines on baselines and monitoring methodologies

The executive board, drawing on experts in accordance with the modalities and procedures for a CDM, shall:

(a) Develop general guidance on methodologies relating to baselines and monitoring in order to:

(i) Elaborate the provisions relating to baseline and monitoring methodologies contained in decision -/CP.6 *(Article 12)* and this annex;

(ii) Promote consistency, transparency and predictability;

(iii) Provide rigour to ensure that net reductions in anthropogenic emissions and anthropogenic removals by sinks are real and measurable, and an accurate reflection of what has occurred within the project boundary;

(iv) Ensure applicability in different geographic regions and to those project categories which are eligible in accordance with decision -/CP.6 *(Article 12)* and relevant decisions of the COP/MOP;

(b) Provide specific guidance in the following areas:

(i) Definition of project categories (e.g. based on sector, sub-sector, project type, technology, geographic area) that show common methodological characteristics for baseline setting, and/or monitoring;

(ii) Baseline methodologies deemed to reasonably represent what would have occurred in the absence of a project activity;

(iii) Monitoring methodologies that provide an accurate measure of actual reductions in anthropogenic emissions or enhancements of anthropogenic removals by sinks as a result of the project activity, taking into account the need for consistency and cost-effectiveness;

(iv) For the project categories identified, methodologies should include guidance on the level of geographic aggregation (i.e. international, national, and default) taking into account data availability;

(v) Decision trees and other methodological tools, where appropriate, to guide choices in order to ensure that the most appropriate methodologies are selected, taking into account relevant circumstances;

(vi) The appropriate level of standardization of methodologies to allow a reasonable estimation of what would have occurred in the absence of a project activity wherever possible and appropriate. Standardization should be conservative in order to prevent any overestimation of

reductions in anthropogenic emissions or enhancements of anthropogenic removals by sinks;

(vii) Determination of project boundaries including accounting for all greenhouse gases that should be included as a part of the baseline, and monitoring. Relevance of leakage and recommendations for establishing appropriate project boundaries and methods for the *ex post* evaluation of the level of leakage;

(viii) Crediting period of a project;

(ix) Modalities for accounting for applicable national policies and specific national or regional circumstances, such as sectoral reform initiatives, local fuel availability, power sector expansion plans, and the economic situation in the sector relevant to the project activity;

(c) Take into account, *inter alia*:

(i) Current practices in the host country or an appropriate region, and observed trends;

(ii) Least cost technology for the activity or project category;

(d) Develop, on a priority basis, simplified methodologies for baselines for small-scale projects and their monitoring.

APPENDIX D

Clean development mechanism registry requirements

1. The executive board shall establish and maintain a CDM registry to ensure the accurate accounting of the issuance, holding, transfer and acquisition of CERs by Parties not included in Annex I. The executive board shall identify a registry administrator to maintain the registry under its authority.

2. The CDM registry shall be in the form of a standardized electronic database which contains, *inter alia*, common data elements relevant to the issuance, holding, transfer and acquisition of CERs. The structure and data formats of the CDM registry shall conform to technical standards to be adopted by the COP/MOP for the purpose of ensuring the accurate, transparent and efficient exchange of data between national registries, the CDM registry and the independent transaction log.

3. The CDM registry shall have the following accounts:

(a) One pending account for the executive board, into which CERs are issued before being transferred to other accounts;

(b) At least one holding account for each Party not included in Annex I hosting a CDM project activity or requesting an account;

(c) At least one account for the purpose of cancelling ERUs, CERs and AAUs equal to excess CERs issued, as determined by the executive board, where the accreditation of a designated operational entity has been withdrawn or suspended;

(d) At least one account for the purpose of holding and transferring CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation in accordance with Article 12, paragraph 8. Such an account may not otherwise acquire ERUs, CERs or AAUs.

4. Each CER shall be held in only one account in one registry at a given time.

5. Each account within the CDM registry shall have a unique account number comprising the following elements:

(a) Party/organization identifier: the Party for which the account is maintained, using the two-letter country code defined by the International Organization for Standardization (ISO 3166), or, in the cases of the pending account and an account for managing the CERs corresponding to the share of proceeds, the executive board or another appropriate organization;

(b) A unique number: a number unique to that account for the Party or organization for which the account is maintained.

6. Upon being instructed by the executive board to issue CERs for a CDM project activity, the registry administrator shall, in accordance with the transaction procedures set out in the modalities for the accounting of assigned amount under Article 7, paragraph 4:

(a) Issue the specified quantity of CERs into a pending account of the executive board;

(b) Forward the quantity of CERs corresponding to the share of proceeds to cover administrative expenses and to assist in meeting costs of adaptation in accordance with Article 12, paragraph 8, to the appropriate accounts in the CDM registry for holding and transferring such CERs;

(c) Forward the remaining CERs to the registry accounts of project participants and Parties involved, as specified by their distribution agreement.

7. Each CER shall have a unique serial number comprising the following elements:

(a) Commitment period: the commitment period for which the CER is issued;

(b) Party of origin: the Party which hosted the CDM project activity and shall use the two-letter country code defined by ISO 3166;

(c) Type: this shall identify the unit as a CER;

(d) A unique number: a number unique to the CER for the identified commitment period and Party of origin;

(e) Project identifier: a number unique to the CDM project activity for the Party of origin.

8. Where the accreditation of a designated operational entity has been withdrawn or suspended, ERUs, CERs and/or AAUs equal to the excess CERs issued, as determined by the executive board, shall be transferred to a cancellation account in the CDM registry. Such ERUs, CERs and AAUs may not be further transferred or used for the purpose of demonstrating the compliance of a Party with its commitment under Article 3, paragraph 1.

9. The CDM registry shall record non-confidential information and provide a publicly accessible user interface through the internet that allows interested persons to query and view it.

10. The information referred to in paragraph 9 shall include the following account information relevant to the CDM registry, for each account number:

(a) Account name: the holder of the account;

(b) Representative identifier: the representative of the account holder, using the Party/organization identifier (the two-letter country code defined by ISO 3166) and a number unique to that representative for that Party or organization;

(c) Representative name and contact information: the full name, mailing address, telephone number, facsimile number and email address of the representative of the account holder.

11. The information referred to in paragraph 9 shall include the following CDM project activity information, for each project identifier against which the CERs have been issued:

(a) Project name: a unique name for the CDM project activity;

(b) Project location: the Party and town or region in which the CDM project activity is located;

(c) Years of CER issuance: the years in which CERs have been issued as a result of the CDM project activity;

(d) Operational entities: the operational entities involved in the validation, verification and certification of the CDM project activity;

(e) Reports: downloadable electronic versions of documentation to be made publicly available in accordance with the provisions of this annex.

12. The information referred to in paragraph 9 shall include the following holding and transaction information relevant to the CDM registry, by serial numbers, for each calendar year (defined according to Greenwich Mean Time):

(a) CERs in each account at the beginning of the year;

(b) CERs issued;

(c) CERs transferred and the identity of the acquiring accounts and registries;

(d) ERUs, CERs and AAUs cancelled in accordance with paragraph 8;

(e) Current holdings of CERs in each account.

Draft decision -/CP.6 *(Article 17)*

Modalities, rules and guidelines for emissions trading

The Conference of the Parties,

Being aware of its decision -/CP.6 *(Mechanisms)*,

1. *Decides* to adopt the modalities, rules and guidelines for emissions trading contained in the annex below;

2. *Decides further* that any future revision of the guidelines shall be decided in accordance with the rules of procedures of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol as applied. The first review shall be carried out no later than one year after the end of the first commitment period, based on recommendations by the Subsidiary Body for Implementation drawing on technical advice of Subsidiary Body for Scientific and Technological Advice, as needed. Further reviews shall be carried out periodically thereafter;

3. *Urges* the Parties included in Annex II to facilitate the participation in emissions trading under Article 17 of the Kyoto Protocol of Parties included in Annex I with commitments inscribed in Annex B that are undergoing the process of transition to a market economy;

4. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the following decision:

Decision -/CMP.1 *(Article 17)*

Modalities, rules and guidelines for emissions trading

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Being aware of its decisions -/CMP.1 *(Mechanisms)*, -/CMP.1 *(Article 6)*, -/CMP.1 *(Article 12)*, and -/CMP.1 *(Modalities for accounting of assigned amounts)* and decision -/CP.6 *(Compliance)*,

1. *Decides* to confirm and give full effect to any actions taken pursuant to decision -/CP.6 *(Article 17)* and to any other relevant decisions by the Conference of the Parties, as appropriate;

2. *Urges* the Parties included in Annex II to facilitate the participation in emissions trading under Article 17 of the Kyoto Protocol of Parties included in Annex I with commitments inscribed in Annex B that are undergoing the process of transition to a market economy.

ANNEX

Modalities, rules and guidelines for emissions trading

1. For the purpose of this annex the definitions contained in Article 1[1] and the provisions in Article 14 shall apply. Furthermore:

(a) An "emission reduction unit" or "ERU" is a unit issued pursuant to the relevant provisions on registries in decision -/CMP.1 *(Modalities for the accounting of assigned amounts)*, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(b) A "certified emission reduction" or "CER" is a unit issued pursuant to Article 12 and requirements thereunder, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(c) An "assigned amount unit" or "AAU" is a unit issued pursuant to the relevant provisions on registries in decision -/CMP.1 *(Modalities for the accounting of assigned amounts)*, and is equal to one metric tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.

2. A Party[2] included in Annex I with a commitment inscribed in Annex B is eligible to transfer and/or acquire ERUs, CERs or AAUs, issued in accordance with the relevant provisions, if it is in compliance with the following requirements:

(a) It is a Party to the Kyoto Protocol;

(b) It is a Party to the "Agreement on Procedures and Mechanisms on Compliance supplementing the Kyoto Protocol to the United Nations Framework Convention on Climate Change";

(c) It has submitted its report to facilitate the establishment of its assigned amount pursuant to Article 3, paragraphs 7 and 8, and to demonstrate its capacity to account for its emissions and assigned amount, in accordance with the modalities for the accounting of assigned amount under Article 7, paragraph 4;

(d) It has submitted its annual inventory in accordance with Article 5, paragraph 2, incorporating the supplementary information under Article 7, paragraph 1, and the requirements in the guidelines thereunder, for each year following the submission of the report referred to subparagraph (c).

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[1] "Article" refers in this annex to an article of the Kyoto Protocol, unless otherwise specified.

[2] In this context, "Party" refers to a Party to the Kyoto Protocol.

3. A Party included in Annex I with a commitment inscribed in Annex B shall be considered to:

(a) Meet the eligibility requirements 16 months after it has submitted the report referred to paragraph 2 (c), unless the compliance committee finds, in accordance with decision -/CP.6 *(Compliance)*, that the Party does not meet these requirements, or, at an earlier date, if the compliance committee has decided that it is not proceeding with any questions of implementation relating to these requirements and has transmitted this information to the secretariat;

(b) Continue to meet the eligibility requirements unless and until the compliance committee decides that the Party does not meet one or more of the eligibility requirements, has suspended the Party from transferring and/or acquiring ERUs, CERs and AAUs and has transmitted this information to the secretariat.

4. The secretariat shall maintain a publicly accessible list of Parties that meet the eligibility requirements and of Parties that have been suspended.

5. A Party that authorizes legal entities to participate in emissions trading under Article 17 shall remain responsible for the fulfilment of its obligations under the Kyoto Protocol and shall ensure that such participation is consistent with this annex. The Party shall maintain an up-to-date list of such entities and make it available to the secretariat and the public through its national registry. Legal entities may not participate in emissions trading under Article 17 during any period of time in which the authorizing Party does not meet the eligibility requirements or has been suspended.

6. Each Party included in Annex I with a commitment inscribed in Annex B shall hold a commitment period reserve in its national registry consisting of ERUs, CERs and/or AAUs for the current commitment period which have not been cancelled in accordance with decision -/CMP.1 *(Modalities for accounting of assigned amounts)*. The required level of the commitment period reserve shall be equivalent to the lower of:

(a) 90 per cent of its assigned amount, calculated pursuant to Article 3, paragraphs 7 and 8; or

(b) Five times the emissions of a Party in the most recent year for which an inventory, reviewed pursuant to Article 8, is available.

7. No transfer shall be made that would result in total holdings of ERUs, CERs and/or AAUs being below the required level of the commitment period reserve.

8. If calculations under paragraph 6 (b) raise the required level of the commitment period reserve above the Party's holdings of ERUs, CERs and AAUs, the Party shall be notified by the secretariat and, within 30 days of this notification, bring its holdings to the required level.

9. ERUs verified through the verification procedure under the Article 6 supervisory committee referred to in decision -/CP.6 *(Article 6)* and subsequently transferred shall be considered additional and shall not be counted against the commitment period reserve.

10. The secretariat shall perform functions as requested.

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